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The Journal of Political Economy

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THE WORK OF THE WAGE-ADJUSTMENT BOARDS

Before the war there existed for the mediation and arbitration of industrial disputes the following agencies: (1) the Labor Department of the United States; (2) the Mediation Commission, appointed under the Newlands Act of 1913 for the avoidance of strikes on the railroads; and (3) conciliation and arbitration boards of the various states.

The services of the Mediation Commission were confined to disputes involving workers engaged in the actual movement of railroad trains. The Commission did excellent work, although the passage of the Adamson Law was necessary in September, 1916, to avert a strike which threatened to tie up the country's entire transportation system.

In the individual states boards of arbitration and conciliation had in many cases been provided for prior to our entry into the war, but with one or two exceptions their work was not important. The most active of these state boards had been that of Massachusetts, which, by reason of joint agreements in the boot and shoe industry, was made arbitrator of controversies which trade committees of that industry were unable to settle. The other state tribunals did very little arbitrating,[1] nor was their mediatory work an important factor in the settlement of industrial disputes.

[1] Barnett and McCabe, *Mediation, etc., in Industrial Disputes.*

In addition to these government tribunals there existed conciliation boards created by joint agreements between employers and workers in industries where the workers were strongly organized into unions. These agreements were as a rule for the period of one year and usually prevented strikes during the time of their operation. No machinery, however, was provided to facilitate their renewal in case of a hitch in the conferences which were held annually for this purpose, and strikes often followed a failure to renew them. By far the larger part of industry, however, was unorganized and not protected by trade agreements. The only facilities for avoiding disputes for this part of the community, at a time when the increased cost of living, together with a growing scarcity of labor, made frequent conflicts extremely likely, were the very inadequate ones referred to previously.

THE UNITED STATES LABOR DEPARTMENT

The United States Labor Department, created in 1913 and vested with federal authority to act as mediator in labor disputes, did not for the first few years of its existence carry out these functions very actively. Its participation in the settlement of strikes increased, however, year by year, and for the six months' period before our entry into the war the Department was very much busier than at any other time in its history. During the early months of the war the mediating work of the Department increased still more, the Secretary of Labor personally taking an active part in the settlement of some important controversies.[1]

Excellent as was much of the work of the Department, there were a number of reasons which made the creation of other mediating agencies seem desirable. In the first place, it was without funds to handle the increased volume of work, and Congress seemed unwilling to make the necessary appropriations. Furthermore, there was lacking among many large employers of labor that confidence in the impartiality of the Labor Department which is necessary to insure the successful exercise of arbitral and mediating functions. This was due in part to the fact that the law creating the Department stated its purpose to be "to foster, promote, and

[1] *Annual Reports*, Department of Labor, especially reports of 1917 and 1918.

develop the welfare of the wage-earners of the United States" rather than to exercise a general jurisdiction over industrial questions.

An unfortunate and incorrect impression became current in many places that the Department was controlled by the labor unions, and that practically all of its personnel were or had been connected with organized labor. A more careful examination of the facts would have shown that the members of the Department came from many different walks of life and included not only former labor leaders but also former employers, college professors, lawyers, and others. This misunderstanding as to the Labor Department's attitude, whatever its origin, was shared to a marked degree by the large employers of labor, to whom the government had to turn for much of the most urgently needed war material.

TRIBUNALS CREATED DURING THE WAR

For the first two months of the war nothing was done to create additional machinery for handling the problem. During the succeeding period many tribunals were established, which will be briefly described in this paper. It is extremely unfortunate that in those early formative months there was not adopted a broad and comprehensive plan for war-labor administration which would have provided machinery for the settlement of labor disputes as the need developed, together with a plan of organization that would have avoided overlapping and conflicts of jurisdiction. A group of principles applicable to every industry could at that time have been worked out so as to approximate uniformity in the treatment by the government of different classes and groups of labor.

There were some factors which tended to harmonize decisions and eliminate inconsistencies, especially as to general principles, but no action sufficiently radical to prevent conflicts of jurisdiction or to secure uniformity of wage awards was taken.

The government met labor problems in very much the same way in which so many other difficulties connected with the war were overcome. As particular needs developed the machinery was improvised to meet them, not in accordance with a large plan, but in the manner which seemed most practicable to the individuals

who happened to represent the department in which the problems arose. There was no uniformity of method, principle, or practice. Inconsistencies were many; overlapping of jurisdiction frequently occurred, resulting occasionally in different awards for the same men and in different awards for men carrying on the same trade in the same locality but working for different departments of the government. In spite of all the confusion, however, there was very little loss of working time. Strikes were numerous but seldom of long duration, especially after the first six months of the war.

Seventeen different government boards or commissions with nation-wide jurisdiction were created. The organization of these boards and of the local branches to which many of them delegated a portion of their responsibility will be briefly described. The principles which they sought to apply will then be examined and compared, the nature and scope of their work considered, and a short account given of the effect of their efforts upon industrial conditions during the war.

Too short a time has elapsed to permit of any accurate estimate of what will be the ultimate influence of the war upon industry, as a result either of the activities of the government or of the more far-reaching and radical changes which may be expected from the political and industrial upheavals of Europe. We may be sure, however, that future historians will find many significant developments brought to the surface by the extraordinary labor conditions produced by the war; and the thousands of pages of testimony and other data accumulated by the national mediation boards will disclose, among a large amount of useless matter and infinite repetition, much material giving a vivid picture of our industrial conditions and of the attitude of capital and labor toward each other and toward the government, and containing a large variety of information bearing on all phases of the industrial problem.

THE EMERGENCY CONSTRUCTION WAGE COMMISSION

The first board to be created was one to meet the most immediate need, namely, the Cantonment Adjustment Commission, later known as the Emergency Construction Wage Commission. This resulted from an agreement made June 19, 1917, between Newton

D. Baker and Samuel Gompers as individuals.[1] In amplifications of the original agreement they sign as Secretary of War and President of the American Federation of Labor respectively.

The Cantonment Adjustment Commission[2] was established to facilitate the construction of the cantonments and was considered a temporary arrangement that would last a few months only. The immediate object was to induce union building-trade mechanics to work with non-union men. For this concession the government agreed that the union scale of wages, hours, and conditions in force on June 1, 1917, in the locality where each cantonment was situated should be adopted.

The jurisdiction of the Commission was later extended to aviation fields and warehouse and storage facilities, and on August 10, 1917, it was agreed between the Secretary of the Navy and Mr. Gompers that the method of labor adjustment for army cantonments should be applied to naval shore construction.[3]

The Board divided the country into districts and appointed examiners in each district. Any difficulty which the examiner was unable to settle was reported to the Board by the examiner, the construction quartermaster, and a representative of the union for the trade involved. Both sides to the controversy were represented in these reports, and decisions of the Commission could be based thereon.

Later the number of representatives of the Board was increased so that there were two examiners for each district (usually commissioned officers), and a large statistical and clerical staff was added.

About May 1, 1918, the Board was instructed by the War Department to standardize wages in the building industry for the

[1] Louis B. Wehle, in *Quarterly Journal of Economics*, XXXII, 124.

[2] The first members of the Board were General E. A. Garlington, as representative of the War Department; John R. Alpine, as representative of labor; Walter Lippmann, representing the public. General Garlington was succeeded by Colonel S. K. Ansell, who in turn was succeeded by Colonel J. H. Alexander, who since his appointment in April, 1918, has been chairman of the Board and its most active member. Walter Lippmann was succeeded by Stanley King, who was followed by Dr. E. M. Hopkins.

[3] *Quarterly Journal of Economics*, XXXII, 126.

entire country. It had proceeded quite far in the necessary steps preliminary to the carrying out of this order when, after the creation of the National War Labor Policies Board and its decision to standardize wages in all trades (a decision which was never carried out), the instructions to the Cantonment Adjustment Commission were withdrawn, and it was directed to transmit its material to the War Labor Policies Board.

In addition to the Emergency Construction Commission a number of other boards exercised wage-adjusting functions in the building trades. The Shipbuilding Labor Adjustment Board had jurisdiction over wages of building mechanics doing work in the shipyards; and the Housing Departments, both of the Emergency Fleet Corporation and of the Labor Department, over whose work the Emergency Construction Wage Commission had no jurisdiction (although the Housing Department of the Emergency Fleet Corporation worked more or less in harmony with the Commission), were forced to adjust disputes and settle wages in connection with their own work. Unrest and confusion inevitably resulted from the fact that these four separate government bodies each exercised authority to fix wages in the building industry for mechanics employed in the same territory. In one important case two of these boards came to exactly opposite conclusions from the same statement of facts, and had it not been for the large earnings of the men due to overtime work the results of this overlapping of jurisdiction would undoubtedly have been more serious.

LABOR BOARDS IN THE SHIPBUILDING AND ALLIED INDUSTRIES

In spite of the necessity in the first months of the war for an absolute maximum of production, labor disturbances of considerable magnitude were occurring in a number of war industries, and by August and September, 1917, the need for better means of controlling the situation and avoiding cessations of work brought about the creation of six additional agencies.

THE SHIPBUILDING LABOR ADJUSTMENT BOARD

On August 25, 1917, the Shipbuilding Labor Adjustment Board was provided for by agreement between the Navy Department, the United States Shipping Board Emergency Fleet Corporation, and a

number of international unions, members of the American Federation of Labor.[1] It was vested with jurisdiction over labor disputes in the shipyards, concerning the erection and repair of shipbuilding plants paid for by the Emergency Fleet Corporation or the Navy, and the construction and repair of ships being built for the Shipping Board Emergency Fleet Corporation or the Navy (not including navy yards).

It has been a most active body during the entire period of the war. The work in the field, the settlement of minor disputes, and the application of awards were all attended to by examiners appointed by the Board for each of the shipbuilding districts into which the country was divided by the Emergency Fleet Corporation. Employees and shipbuilders were encouraged to agree upon an examiner, and in cases where they could do so he was appointed by the Board.

The awards were at first for individual shipyards and single districts, but as the necessity for greater uniformity in wage rates became more and more evident the territory covered by the awards became larger, until in the last decisions of the Board the country was divided into only two parts, the Atlantic Coast, together with the Gulf and Great Lakes, constituting one division, and the Pacific Coast the other.

The Board has faced many serious situations, but after the difficulties of the summer and fall of 1917 on the Pacific Coast were straightened out it was able to maintain practically continuous operation in all the trades engaged in shipbuilding, until the signing of the armistice, when serious trouble once more occurred on the Pacific Coast.

The original agreement creating the Shipbuilding Labor Adjustment Board made no provision for appeals from the decisions of

[1] All important unions signed except the carpenters. The members of the Board were V. Everit Macy, chairman, appointed by the President of the United States; E. F. Carry, appointed by the Navy Department and the Shipping Board; and A. J. Berres, representing the American Federation of Labor. Mr. Carry was succeeded by Louis B. Coolidge, and Mr. Coolidge by Dr. L. C. Marshall. Henry R. Seager was secretary of the Board and was later succeeded by W. E. Hotchkiss. See *Report of Shipping Board for 1918; Monthly Review*, U.S. Bureau of Labor Statistics, March, April, and May, 1918; *Quarterly Journal of Economics*, November, 1917, and February, 1918; *Journal of Political Economy*, March, 1919.

the Board. As a result, however, of the difficulties on the Pacific Coast in the fall of 1917 a supplementary agreement was signed on December 8, 1917, providing for a Board of Appeal and Review, to consist of six members, three representing the government and three organized labor. No provision was made for the possibility of a failure of the Board of Appeal and Review to agree upon a decision. Few cases were appealed and no difficulty was encountered until after the signing of the armistice, when very bitter controversies arose once more on the Pacific Coast, caused by the wage demands of the Seattle metal trades. The Adjustment Board having decided against them, the Metal Trades Council appealed to the Board of Review; at the same time an appeal was taken by employers who objected to the retroactive features of the October, 1918, award. In both cases there was a tie vote in the Board of Review, which was ruled to be equivalent to upholding the original award. Because of this and other contributory reasons, a very bitter strike, not sanctioned by the national officers of the union, ensued on January 21, 1919.

NATIONAL ADJUSTMENT COMMISSION (LONGSHOREMEN)

The National Adjustment Commission for the settlement of disputes of longshoremen was created in August, 1917, by agreement signed on behalf of the War and Labor departments, the Shipping Board, the shipping operators on the Atlantic and Gulf coasts, the International Longshoremen's Association, and the American Federation of Labor.[1] Local adjustment commissions, with the right of appeal to the National Adjustment Commission,

[1] Chairman's report, National Adjustment Commission, for the period ending December 31, 1918. The Commission consisted of Walter Lippmann, representing the Secretary of War; R. B. Stevens, the Shipping Board; T. V. O'Connor, the International Longshoremen's Association; P. A. S. Franklin and H. H. Raymond, nominated by the Shipping Committee of the Council of National Defense. See also *Monthly Review*, U.S. Bureau of Labor Statistics, October, 1917. Mr. Stevens was elected chairman and Louis Levy Secretary. Stanley King succeeded Walter Lippmann, Robert P. Bass succeeded R. B. Stevens, and in March, 1918, Messrs. Franklin and Raymond resigned, and six representatives of deep-sea and six of coastwise shipping were elected in their places to serve when occasion demanded. On January 1, 1919, Professor Wm. Z. Ripley became chairman of the Commission. Stanley King had been succeeded by Dr. E. M. Hopkins, who in turn was succeeded by Major S. J. Rosensohn.

were created in twenty-six ports: wages and conditions were adjusted therein, and many appeals were taken to the National Adjustment Commission.[1] The personnel of the local commissions consisted of one representative of the Government, that is to say of the War Department and Shipping Board; one representative of the International Longshoremen's Association, and one representative of either the coastwise or deep-sea shipping.

THE NEW YORK HARBOR WAGE ADJUSTMENT BOARD

A threatened tie-up of all the harbor craft at New York in the fall of 1917 led to an effort by the Shipping Board to avert what at that time would have amounted to a catastrophe, by the creation of an adjustment board consisting of a chairman, representing the government, and two other members, one representing the employers and the other the organized workers, and an agreement creating such a board was signed by representatives of the men. The bitter opposition, however, of the New York Harbor boatowners to a group of unions of their employees, known as the Harbor Affiliation, and their refusal to submit to the jurisdiction of a board containing in its membership a representative of the Harbor unions, led to the creation on October 20, 1917, of a special board[2] of three members, one representing the Shipping Board, one the Department of Commerce, and one the Department of Labor.[3]

The Board had an exciting history, complicated by the fact that among the employers in the harbor of New York were the city of New York and the Railroad Administration, the former limited in its wage payments by the state laws, and the latter, employing 40 per cent of the harbor workers, possessing its own wage-adjustment machinery and not wishing to submit the adjustment of the wages of its employees to the harbor Board.

The Board had also great difficulty in inducing all the private owners to submit to its jurisdiction and to comply with its decisions, it having been necessary to threaten to commandeer their boats and in a few cases to institute proceedings for this purpose before some

[1] Chairman's Report, National Adjustment Commission.

[2] *Second Annual Report*, United States Shipping Board, p. 87.

[3] E. M. Squires, in *Monthly Labor Review*, September, 1918, and February, 1919.

of the owners could be induced to submit to the decisions of the Board. The employees were represented by aggressive and radical leaders, and in the spring of 1918 two appeals were taken to the National War Labor Board, which, however, did not at that time attempt to decide the controversies but, by means of conferences with all parties in interest, brought about a modification of the arbitration agreement so as to include as members of the Board a representative of the employers and one of the employees. A rehearing was held before the new Board, but before a decision could be announced further complications with the Railroad Administration caused the arbitration agreement to be again amended so as to add to the Board a representative of the Railroad Administration and a second representative of the employees, thus bringing the membership of the new Board up to seven.[1]

At a later date the insistence of the Railroad Administration on making its own awards for harbor workers in its employ led in November, 1918, to the resignation of the Board. After a strike which tied up the entire harbor of New York the case was heard by the National War Labor Board. The same reactionary attitude which characterized the employers in their dealings with the New York Harbor Wage Adjustment Commission was once more shown in their attitude toward the National War Labor Board, and although the employees were willing to return to work and agreed to submit to the jurisdiction of the War Labor Board, only one of the private owners was willing to do so, in spite of a direct appeal from the President of the United States that this course be adopted by all parties. These events are all so recent and received so much publicity in the daily press that it is hardly necessary to go into further details; nor would the space available in an article which attempts to cover the entire field of government mediating agencies permit of a careful analysis of all the many complicating elements in the case.

[1] The first Board consisted of the following: Lieutenant-Colonel W. B. Baker, representing the War Department and the Shipping Board; George P. Putnam, representing the Department of Commerce; and Ethelbert Stewart, representing the Labor Department; William Simmons and W. B. Pollock, and T. V. O'Connor and T. L. Delahunty, were added to represent the employers and employees respectively.

Suffice it to say that the War Labor Board, having been unable to agree upon a decision, appointed an umpire whose decision did not please anybody and was so unsatisfactory to the men that a second strike resulted. In spite of the fact that the men themselves had appealed to the War Labor Board and had agreed to abide by its decision, and that the government employers as well as one private employer had done likewise, the men went on strike once more and tied up the railroads as well as the private owners. An agreement modifying the decision of the umpire was very soon reached with the Shipping Board and the Railroad Administration, thus ending the strike with respect to them. The private owners refused to accept the settlement and displayed a great deal more righteous indignation in the matter than they were justified in doing, considering the fact that they themselves had never agreed to be bound by the decision of the National War Labor Board. The handling of the entire harbor situation in New York was most unfortunate. A part of the blame certainly rests with the government agencies, the conflicts of jurisdiction having been most exasperating. The conduct of some of the employers in resisting the authority of the Board and violating its decisions was a constant source of irritation to the workers and might at any time during the war have resulted in a disastrous strike; nor were the employees blameless, especially in their recent conduct. This is one of our war-labor experiences to which the country will look back with least pride or satisfaction.

THE MARINE AND DOCK INDUSTRIAL RELATIONS DIVISION OF THE SHIPPING BOARD

The Marine and Dock Industrial Relations Division was created late in the war, on September 19, 1918, to act as a co-ordinating agency in all labor matters affecting the Shipping Board and to supervise labor connected with the operation of vessels and marine equipment.[1] Its jurisdiction was largely over the men who operated the vessels, while the National Adjustment Commission dealt with those engaged in loading them.[2]

[1] *Report of Shipping Board*, 1918.

[2] Herbert B. Ehrman is director of the Marine and Dock Industrial Relations Division.

INDUSTRIAL RELATIONS DIVISION, EMERGENCY FLEET CORPORATION

The Industrial Relations Division of the Emergency Fleet Corporation, organized in May, 1918,[1] had general supervision of labor conditions and the construction of shipbuilding plants connected with shipbuilding. Its work was divided into many branches in an effort to procure labor for the shipyards and to make it efficient. This division acted as the administrative body for the Shipbuilding Labor Adjustment Board[2] and, through its Labor Adjustment Branch, had direct jurisdiction over labor disputes in subcontract shops working for the shipyards in the manufacture of boilers, engines, and other accessories.

This completes our glance at the work of the different labor branches of the Shipping Board, and we must now turn back to August, 1917, to take up the other boards which were formed at this time.

ARSENALS AND NAVY YARD COMMISSION

On August 15, 1917, the Arsenals and Navy Yard Commission was organized by the War and Navy departments.[3] The original intention was that joint wage awards should be made for arsenals and navy yards, many of the same trades being employed in both. This plan, however, was never carried out. After the organization of the Commission a number of sessions were held, but the War Department was not ready to join the Navy Department when the latter was about to make its first wage award for navy yards. Thereafter each department set its own wage scales after conference with the other but without formal action by the Commission.

BOARD OF CONTROL OF LABOR STANDARDS IN ARMY CLOTHING

On August 24, 1917, the Board of Control of Labor Standards in Army Clothing[4] was appointed by the War Department. Its functions were principally connected with supervision of social

[1] *Report of Shipping Board*, 1918.

[2] L. C. Marshall was director of the Industrial Relations Division and also a member of the Shipbuilding Labor Adjustment Board.

[3] The first members of the Board were Franklin D. Roosevelt, Assistant Secretary of the Navy; Walter Lippmann, representing the Secretary of War; and William Blackman. Stanley King succeeded Walter Lippmann. *Monthly Review*, U.S. Bureau of Labor Statistics, June, 1918.

[4] The members were Louis Kirstein, Captain Kruesi, and Mrs. Florence Kelly. *Monthly Review*, U.S. Bureau of Labor Statistics, October, 1917, p. 30.

conditions under which contracts for army clothing were carried out, that is to say the improvement of sanitary conditions and the elimination of the sweating system. Inasmuch as there were two rival unions in the clothing industry (the stronger of which was not affiliated with the American Federation of Labor), this Board did not contain a representative of the employees, but instead the executive officer of the Consumer's League was appointed.

ADMINISTRATOR OF LABOR STANDARDS FOR ARMY CLOTHING

On January 18, 1918, the Board was dissolved, and its functions were taken over by an Administrator of Labor Standards for Army Clothing,[1] who continued the work of the Board and also became very active in the settlement of disputes, in the adjustment of wages, and in determining questions of reasonable output, which more frequently became a matter of controversy in the clothing industry than in any other war activity. Remuneration being largely by piece rates, it became necessary to employ experts who would command the confidence of both employer and employee.

This industry is very much influenced by the fact that large numbers of the workers are recent immigrants, and that many of the employers are recruited from the ranks of the workers. Each side is aggressive, and contests between them have been marked by much bitterness of feeling. Many strikes occurred, but the government work was not impeded to any material extent. (The clothing strike in New York City, which lasted *three* months, did not affect that portion of the New York shops engaged in army work.)

THE PRESIDENT'S MEDIATION COMMISSION

On September 9, 1917, the President of the United States appointed a Mediation Commission to deal with the labor unrest of the Pacific Coast, which was delaying the production of copper and lumber, and also to adjust other labor disturbances which at that time were interfering with the government program, and for the settlement of which no adequate machinery seemed available.[2]

[1] Professor William Z. Ripley.

[2] The Mediation Commission consisted of Wm. B. Wilson, Secretary of Labor, chairman, E. P. Marsh, Vernon Z. Reed, Jackson Spangler, and John H. Walker, with Felix Frankfurter secretary and counsel. *Monthly Review*, U.S. Bureau of Labor Statistics, December, 1917, p. 53.

The Mediation Commission spent two months in investigating conditions from Chicago to the Pacific Coast. It induced the packing-houses in Chicago to sign an agreement which provided for arbitration by a federal examiner, and which made certain concessions to the employees, by virtue of which the strike in the packing industry in Chicago and in many western cities was terminated and peace maintained during the remainder of the war.[1]

The Commission also brought about a resumption of activity in the Arizona copper mines, where production had fallen off many million pounds per month. Examiners in the mining districts affected by the strikes were appointed, wage adjustments were made, and collective bargaining was encouraged either through the use of existing machinery or through the creation of new, and grievance committees were provided for at each mine, so that peace was maintained during the entire period of the war. The Commission was also able to prevent serious strikes among the telephone operators in California and Washington and, in the very able report submitted by it to the President, to point out the dangers involved in the unsatisfactory relationship between capital and labor which its investigations disclosed. In assessing upon the employer his measure of blame for these conditions, in its analysis of the causes of the spread of the I.W.W., and in the recommendations with which the report is concluded, the Commission performed a very real service. The report and its recommendations have their lessons for the period of peace as well as of war.[2]

NATIONAL HARNESS AND SADDLERY ADJUSTMENT COMMISSION

The next national commission in point of time was the National Harness and Saddlery Adjustment Commission,[3] created September 26, 1917, by agreement between a large number of manufac-

[1] The decision of Judge Alschuler, examiner under the arbitration agreement, is set forth in the *Monthly Review*, U.S. Bureau of Labor Statistics, May, 1918.

[2] It has been republished in full in the *Annual Report of the Secretary of Labor* for 1918.

[3] Stanley King, representing the Secretary of War, was chairman of the Commission; he was succeeded by Major S. J. Rosensohn. The employers were represented by Henry Diegel and the union by W. E. Bryan. Majors Fair and Simpson represented the Quartermaster and Ordnance departments respectively.

turers and the United Leatherworkers' International Union, and providing that for the duration of the war the Commission should fix wages and "adjust grievances of employees engaged on governmental work, and that there shall be no interruption of such work."

The Commission adjusted wages, fixed hours, made rulings relative to overtime payments, and maintained peace in the industry for the period of the war.

INDUSTRIAL SERVICE SECTION, ORDNANCE AND AIRCRAFT DEPARTMENTS

The War Department was also compelled to provide machinery for the settlement of disputes in connection with the manufacture of ammunition and ordnance, and early in January, 1918, the Industrial Service Section of the Ordnance Department was created, charged with the general supervision of labor matters in connection with Ordnance manufacture.[1] One of its first tasks was the constitution of a mediation branch charged with the maintenance of industrial peace in the thousands of shops throughout the country with which the Department had contracts. Conditions in government arsenals were under the direct control ot the office of the Secretary of War, in which several special assistants for labor matters had been appointed. The Industrial Service Section was a branch of the Ordnance Department, but it also maintained a close connection with the office of the Secretary of War, from which important cases were sometimes directly handled.[2] Branches of the Industrial Service Section were established in the district Ordnance offices throughout the country, and detailed work of mediation and adjustment was carried on in these district offices.

Somewhat later an Industrial Service Section was organized for the Bureau of Aircraft, and later still the work of these two sections was to a certain extent unified by reason of the appointment of Major B. H. Gitchell as head of both Industrial Service sections. The field organizations, however, were separately maintained in the respective district offices of Ordnance and Aircraft.

[1] Dean Herman Schneider was the head of the Industrial Service Section and was succeeded by Major William J. Rogers and then by Major B. H. Gitchell.

[2] The Secretary of War appointed special arbitrators to settle wage controversies in groups of munition plants and also several arbitration boards to apply wage awards in New York, Buffalo, and other localities.

THE RAILROADS

The first step toward the creation of special machinery to preserve industrial peace on the railroads was the appointment by the Director General on January 18, 1918, of a special commission, known as the Lane Commission,[1] which made its report, recommending increases in wages and the appointment of a permanent Board of Railroad Wages and Working Conditions. This was one of the few boards which did not contain a labor representative. All the members were lawyers by profession, and three of them were, at the time of their appointment, serving the government in important public offices. Their award was the most conservative made by any war mediating body, and one which would have been immediately rejected had not the unions controlling the movement of the trains been extremely moderate and patriotic. It was followed by a large number of strikes by railroad shopmen who before the war were to a considerable extent unorganized, but who rapidly joined the International Association of Machinists after the Lane award.

By General Order No. 27 the Director of Railroads promulgated the recommendation of the Commission, with a few changes, and established a Board of Railroad Wages and Working Conditions as advisory to the Director of Railways, with six members, three representing the railways and three the unions.[2]

At different periods thereafter three additional wage boards were created, known as Railroad Boards of Adjustment, Nos. 1, 2, and 3. Each board contained an equal representation of the Railway Administration, usually officials of the railways and of the unions over whose members the Board had jurisdiction.

Board of Adjustment No. 1 consisted of eight members and dealt with those activities connected with the movement of the trains embracing the trades of the four railroad brotherhoods.

Board No. 2, with twelve members, had jurisdiction over the railway shopmen; while Board No. 3, with eight members, con-

[1] The members of the Commission were Secretary Franklin K. Lane, Charles C. McChord, J. H. Covington, and William R. Wilcox. *Monthly Review*, U.S. Bureau of Labor Statistics, June, 1918, p. 21.

[2] *Report of Director of Railroads* for 1918. *Proceedings of the Academy of Political Science*, February, 1919, p. 64.

cerned itself with wage adjustment and controversies involving railway switchmen, telegraphers, clerks, etc.

The jurisdiction of these three boards extended over employees who were working under agreements with their respective railroads. To adjust controversies for other employees and to exercise general supervision over all labor matters, a Labor Director was appointed,[1] and a special section was created to look after women employees.

Through the activities of these boards the wages of railway employees were from time to time revised, and the process of standardization, which was interrupted by the decision of the Lane Commission, was carried out.

It should also be noted that control of many of the less important railroads was not taken over by the government, but they remained throughout the war under the management of their owners. With regard to these roads the Board of Mediation and Conciliation, created under the Newlands Law, continued to exercise its good offices. It had quite a busy time reconciling the very natural desires of the men employed by the smaller roads to receive the same compensation as their fellow-workmen on government-controlled railways, with the limited financial abilities of the smaller roads which, not being operated by the government, did not receive the guaranty of net income enjoyed by the government-controlled roads.

COAL MINERS

Controversies at the coal mines were, in the early months of the war, handled either by existing trade boards or by the Labor Department. These matters were thereafter adjusted by the Fuel Administrator, who from time to time issued orders settling disputes in different fields.[2]

On July 23, 1918, the Fuel Administrator announced an understanding with the United Mine Workers of America and the Secretary of Labor, by virtue of which the adjustment of labor questions was to remain under the jurisdiction of the Fuel Administrator, and a Bureau of Labor was created, of which John P. White, until

[1] W. S. Carter, president of the Brotherhood of Firemen and Enginemen.

[2] *Monthly Review*, U.S. Bureau of Labor Statistics, March, 1918.

then president of the United Mine Workers of America, and Rembrandt Peale, a coal operator, were appointed joint heads.[1] Thereafter wage scales for both bituminous and anthracite fields were adjusted by this Labor Bureau, which appointed a number of field assistants.

It will thus be seen that machinery was delevoped in connection with most, if not all, of the important productive and operating departments of the government for the settlement in these departments of labor disputes arising in connection with their work. The Labor Department thereafter largely confined the work of its mediators to disputes arising in other fields.

GENERAL AGENCIES: NATIONAL WAR LABOR BOARD

There were, however, many lines of industrial activity which were not directly covered by the special war agencies which have been enumerated. Numerous disputes had occurred or were threatening in connection with street railways, the operation of which, while vital to the war program, was not within the scope of any specific body. There were also many actual or threatened controversies among printers, laundry workers, clerks, and in many other not strictly war trades. It was realized that there was hardly an occupation which did not more or less closely connect up with the war, and that the morale of the nation—of greatest importance in war time—would be weakened by labor disputes.

There had been organized, some time before our participation in the war, an advisory body of employers, known as the National Industrial Conference Board, consisting of representatives of seventeen of the most important National Employers' Associations in the country. This body, at the invitation of the Council of National Defense, presented on September 6, 1917, a series of recommendations to prevent interruption of industry by labor disputes. They recommended the creation of a board, constituted equally of representatives of employees, employers, and the government,[2] whose function was to be the maintenance of industrial peace and the avoidance of strikes.

[1] *Monthly Labor Review*, September, 1918. Mr. White was succeeded by Mr. Warren Pippin.

[2] See statement of the National Industrial Conference Board respecting the National Labor Situation and Recommendations, etc., to the Council of National Defense.

No immediate steps were taken to carry out this recommendation, but as the administration came gradually to realize the complications of the labor problem the need was felt for a more unified method of handling labor questions, and a series of conferences was held, resulting in the appointment of an Advisory Council on January 16, 1918.[1] This in turn resulted in the appointment of the War Labor Conference Board, which consisted of five representatives of the National Industrial Conference Board and five representatives of the American Federation of Labor, each of whom elected a representative of the public to act as chairman. The representatives of the National Industrial Conference Board elected Ex-President Taft, and the labor representatives elected Frank Walsh. The War Labor Conference Board made its report to the Secretary of Labor, recommending the appointment of the National War Labor Board, and on April 9, 1918, the President issued a proclamation appointing the National War Labor Board and adopting the principles recommended by it. The persons appointed by the President were the same as those constituting the War Labor Conference Board.

Thus an entire year after our entry into the war, and long after most of the labor-adjusting agencies before referred to were created, there was organized a Labor Court which, in the seven months which elapsed before the signing of the armistice, was to become one of the most important war agencies and in some sense a Supreme Court for labor controversies. It had the advantage of having been created by presidential proclamation and of having an ex-president of the United States as one of its chairmen. Unlike any other war mediating board, its jurisdiction was not limited to any one department of the government, but it was authorized to consider any dispute whatever, except in cases where existing methods for its peaceful determination had not been exhausted. It was given broad powers to summon witnesses and to institute investigations into any causes of industrial controversies. It handled an incredibly large number of complaints and strikes arising all over the country and involving many different trades and many different war activities. It symbolized in the public mind

[1] *Monthly Review*, U.S. Bureau of Labor Statistics, April, 1918; *Journal of Political Economy*, May, 1919.

the position of the government—that the manufacture of war necessities must proceed uninterruptedly; it supplied a method by which, in theory at least, any industrial wrong could be righted without resort to the strike, and upon this ground a number of injunctions were issued by state courts against picketing and striking;[1] and yet the Board had no statutory powers and could not assert its jurisdiction over any individual or corporation who refused to submit to its authority.[2] In point of fact, other war adjusting agencies had apparently greater powers, because they legislated and judged for employers, who in many cases were bound by contract to abide by their decision in all matters of labor disputes, and because the workmen under their jurisdiction, in cases like the Railroad Administration and the Navy and Arsenal boards, were in the government employ; yet the actual power of the National War Labor Board was greater and its influence far deeper. It had behind it not only the force of public opinion and the war psychology but the active support of the President and his willingness to use his tremendous war power to enforce compliance with its principles and its awards.

In this connection we must clearly differentiate between the period before the signing of the armistice and that which succeeded it. Before the signing of the armistice there were very few cases in which the principles of the Board were openly violated and its jurisdiction resisted. In two cases the recalcitrancy of employers—Smith & Wesson of Springfield, and the Western Union Telegraph Company—was considered sufficiently important to justify the government in exercising its war power to take over the industries in question. In a third case it was a refusal of the employees—the mechanics employed in the munition plants in Bridgeport—to abide by the decision of an umpire appointed by the Board which necessitated drastic action. The legal power of the government over the employees was not as great as that over the employer. The President of the United States made a direct appeal, however, to the workers to return to work and to abide by the decision of the

[1] *Rossenwasser Bros.* v. *Pepper*, as President of Local Union 72, United Shoe Workers of America, 104 Miscellaneous, p. 457, decided by New York Supreme Court, Queens County, October, 1918.

[2] Decision, National War Labor Board, Supplemental Proceedings, *Employees* v. *Kansas City Railways*, Docket No. 265.

War Labor Board, at the same time threatening them that unless they did so they would not be employed in any war industry in the community in which the strike occurred for the period of one year, that they could not claim draft exemption on occupational grounds, and that during that time the United States Employment Service would decline to obtain employment for them in any war industry elsewhere.[1] As a result of this appeal the men returned to work. There were also cases of refusal by both employers and employees to submit their cases to the War Labor Board, but they received very little publicity, and for one reason or another no drastic action was taken.

Since the signing of the armistice the situation has entirely changed. The feeling that under no circumstances must an industrial dispute be allowed to develop into a strike has largely disappeared, and there has been substituted therefore the indifference with which the public has always regarded this form of industrial waste. Very many cases have arisen in which the employer has violated the principles of the War Labor Board and has refused to submit to its jurisdiction or to abide by its findings. The government, however, now that the extreme emergency is over, has passed these cases by with apparently no intention to continue to use its still existent war powers.

The National War Labor Board developed a large expert organization to aid in its work. Investigations were made into the cost of living, and standards were determined for a minimum-subsistence and a minimum-comfort wage.

Examiners were appointed who in many cases conducted investigations and hearings preliminary to proceedings before members of the Board. In most cases the Board divided itself into sections, each consisting of one employer and one employee, the findings and decisions of these sections being confirmed by the entire Board. In this way the Board was able to cover very much more ground than would have been physically possible had the entire Board attempted to conduct all the proceedings.

After decisions were reached examiners were frequently placed by the Board in charge of their application and enforcement, with the right of either side to appeal from the decisions of the examiners

[1] *Monthly Labor Review*, October, 1918, p. 24.

to the Board. The practice of collective bargaining was always insisted upon, and elections for this purpose were held under the examiner's direction. In many cases requests for wage increases were referred back to be settled by the parties in interest through collective bargaining, with the right of appeal, in case of failure to agree, to examiners or the Board.

Before the signing of the armistice the Board took jurisdiction in any proper case upon complaint of either party. In cases where both sides submitted a controversy to the determination of the Board a unanimous vote of its members was required, in the absence of which an umpire was selected, also by unanimous vote, whose decision was to be final; if, however, the controversy came before the National War Labor Board on complaint of one of the parties, the other party not having agreed to submit, the Board had the power to make findings without unanimous concurrence of all of the members, but in such cases it could not compel either side to abide by the decision. After the signing of the armistice the Board adopted the rule of refusing to take jurisdiction except upon the joint submission by both sides or upon the request of the President through the Secretary of Labor.

WAR LABOR POLICIES BOARD

Two other boards should be mentioned, which, while not labor-adjustment boards in themselves, were an important part of the labor administration and influenced the settlement of industrial disputes. The first of these is the War Labor Policies Board, the chairman of which was appointed by the Secretary of Labor on May 13, 1918,[1] and which consisted of representatives of the departments and boards who were largely concerned with labor.[2] Its functions were administrative, to develop policies for a unified labor administration "and to co-ordinate the various and frequently inconsistent methods of governmental departments which are dealing with the labor problems involved in production."[3]

[1] *Monthly Review*, U.S. Bureau of Labor Statistics, June, 1918, p. 56.

[2] The chairman of the Board has been Felix Frankfurter; other members are enumerated in the *Monthly Labor Review*, July, 1918, p. 23.

[3] *Monthly Labor Review*, July, 1918, p. 23.

Among the tasks undertaken by the War Labor Policies Board was the national standardization of wages—a stupendous undertaking which was never completed.

CONFERENCE COMMITTEE OF LABOR-ADJUSTMENT AGENCIES

The Conference Committee of National Labor Adjustment Agencies was established in September, 1918 (largely as a result of lack of decisive action by the War Labor Policies Board), to provide a method of harmonizing and standardizing the labor decisions and wage adjustments of the various departments and boards. Before wage awards were made they were to be submitted to the Conference in order to secure greater uniformity and to avoid an award by one government agency which would upset conditions in other war industries. The Conference was organized so short a time before the signing of the armistice that it did not get a chance to accomplish very much, but it did useful work and would have developed into a very valuable part of the labor administration had the war lasted longer.

PRINCIPLES APPLIED BY LABOR-ADJUSTING AGENCIES

More important to the future of the industry than a history of the organization of the adjusting agencies is a consideration of the principles which they sought to apply. These will be found expressed in three places: (1) declarations of officers of the government or of labor-adjusting agencies in the form of resolutions, statements, or executive orders; (2) agreements between groups of employers and employees to which one or more government agencies are usually parties; (3) decisions of boards of adjustment.

An examination of these sources from the first official statement of a war-labor policy, contained in the resolutions of the Committee of Labor of the Council of National Defense, as amplified on April 21, 1917, by the Council,[1] and on April 23, 1917, by the Secretary of Labor, to the latest decisions of the National War Labor Board, will show that a set of general principles was gradually developed which was applied with reasonable consistency by all the labor boards and which constituted a broad and fairly liberal labor

[1] *Monthly Review*, U.S. Bureau of Labor Statistics, June, 1917.

policy. It was with regard to wages and overtime rates that policies were most divergent, while conflicts were the result of overlapping of jurisdiction more often than of differences as to questions of general policy.

At the outbreak of the war the emphasis among those in authority was mainly on the maintenance of the *status quo*. Subsequent events have shown the correctness of this attitude as far as it opposed the abolition of established safeguards protecting the health and safety of the workers. The maintenance of the *status quo* was also the desire of the anti-union employers' associations, which feared that advantage might be taken of war conditions to impose the closed union shop where it had not existed before the war. The emphasis on the maintenance of existing conditions in the first labor utterances of the Council of National Defense went so far as to indicate that there should be no attempt by the workers to obtain any improvement in wages or hours during the war. This was frequently the attitude of employers, but we do not find it embodied in any of the subsequent statements of principles. On the contrary, a tendency developed, which became more marked as the war progressed, toward a shorter basic day and toward a minimum living wage.

The following examination of principles is in the main in the order of their enumeration by the National War Labor Board.[1]

There should be no strikes or lockouts during the war. Upon no principle was there more general agreement. It was universally felt that the private interests of both employer and employee must, during the war, be subordinated to the nation's vital needs to secure an uninterrupted supply of war materials.

On the other hand, the war produced economic conditions—prosperous business, a scarcity of labor, and a rapidly increasing cost of living—the natural result of which was an increase in the number of strikes.[2] There were many other factors in the situation: the bitter opposition of many large employers to labor unions and their unwillingness to deal with union representatives, the inability of national labor leaders to control the action of locals,

[1] *Official Bulletin*, April 1, 1918, p. 7.

[2] John R. Commons, *Industrial Goodwill*, p. 171.

and the inability of locals to control their own members. Adjustment boards were overworked, and their frequent delays put a premium upon strikes by reason of the fact that, with a cessation of work imminent, there was a likelihood that a board would act very much more quickly than if there was no danger of the men walking out.

As a resultant of all these forces there were many strikes; accurate comparisons are unfortunately impossible, but there were probably many more than for any period of similar length in the country's history; the interruptions of work were usually, however, of very short duration and on the whole did not seriously delay production. Most strikes were local and did not receive the sanction of the national leaders. The chairman of one of the most active wage boards has recently said that "every national trade union, having an agreement with the government during the war, carried out that agreement to the letter."[1] To this statement there should, however, be added that, with a very few exceptions, the national leaders did not punish the locals for striking in spite of agreements not to do so; nor would the picture be a fair one if attention were not called to the fact that the attitude of many employers was at times so hostile and provocative that it is surprising that still more strikes did not occur in many jurisdictions.

The Administrator of Army Clothing, resenting the number of local strikes which had occurred against the wishes of the national officers, threatened that if they continued he would refuse to assume jurisdiction, and also that if he did take jurisdiction retroactive decisions awarding pay for time lost in case of reinstatement might be refused.[2] Strikes, however, continued to be matters of frequent occurrence in almost every trade.

The right to organize and to join a labor organization of the worker's choice is granted in the principles of the National War Labor Board; this principle was adopted by other mediating bodies and became one of the fixed rules under which all of the labor-adjusting agencies conducted their work. If an employee was discharged and claimed that the reason was solely his membership in a labor organization, he would be able to receive redress by making complaint to the

[1] V. E. Macy, in *National Civic Federation Review*, February 15, 1919.

[2] Decision of Administrator in case of Pahl-Hoyt Co., September 12, 1918.

representative of the Board having jurisdiction. Complaints of this kind were numerous, and investigations frequently developed facts substantiating the charges, in which case reinstatement of the employee was ordered, usually with back pay for the time lost. The records of the adjusting agencies show how widespread and bitter was the opposition on the part of large employers to the organization of their men into labor unions. The need of plant protection during the war made it essential that detectives be employed in all large war plants to guard them from enemy plots or propaganda. The presence of these men made it very easy to use them against legitimate union activity. No one at all familiar with the situation can doubt that they were frequently used to prevent agitation of any kind for better shop conditions, and that there was a tendency on the part of both private detectives and government secret-service agents to regard as pro-German and treasonable any discontent of the workers or any efforts to organize them into unions. Discharges for union activity were in many cases persistent and constituted the most frequent violation by employers of the government's war labor policy as well as a fruitful cause of irritation and of local strikes.

Collective bargaining. The desirability of collective bargaining for the maintenance of industrial peace and the improvement of the relationship between employer and employee is emphatically set forth in the report of the President's Mediation Commission, and that body insisted, wherever it went, upon setting up proper machinery for this purpose. The National War Labor Board followed the same policy, affirmed the right of collective bargaining in its "principles," and frequently delegated to the newly created committees, consisting of representatives of management and workers, the settlement in the first instance of many of the questions at issue. The same policy was adopted by the administrator of Labor Standards in Army Clothing, by the Shipbuilding Adjustment Board, and to a lesser extent by the other government mediating agencies. A tremendous campaign of education was carried on and many employers who had never realized the desirability of collective bargaining have come to see its merits through being forced to make use of it during the war.

The maintenance of the status quo as to the open and closed shop was provided for by the decisions of the mediating bodies as well as in their declarations of principles; that is to say, if a shop was open before the war it should remain an open shop, and vice versa. The one exception was the Cantonment Wage Adjustment Board (later known as the Emergency Construction Wage Adjustment Board), which was formed for the express purpose of permitting non-union men to work with union mechanics in the building trades, and it was on this distinct understanding that the Adjustment Board was created by the agreement between the Secretary of War and organized labor. Builders who had before the war maintained closed shops were to be permitted to engage non-union men so that every available mechanic could be used, but union conditions as to wages, hours, etc., were to apply. At a later date, after the principles of the National War Labor Board had been enunciated and it became understood that this body was to be the supreme authority for the adjustment of labor disputes, the Secretary of War instructed the Emergency Construction Commission to modify its rules in conformity with the rules adopted by the National War Labor Board, and from this time on there was absolute uniformity throughout all the Boards on this point.

The maintenance of "established safeguards and regulations for the protection of the health and safety of the workers," a principle enunciated by the National War Labor Board, was also very generally applied. This was one of the principles contained in the early declarations of the Council of National Defense and in General Order No. 13, issued by the Chief of Ordnance on November 14, 1917. Improvement in the physical conditions of war plants did not, however, play a very important part in the decisions of arbitration boards, though there were cases in which such improvement was ordered. Many of the adjustment boards handled matters of this kind through their field agents, and in the cases of the Ordnance and Aircraft departments they were taken care of by other branches of the Industrial Relations Sections rather than by the mediators themselves.

Wages. Never before was there so widespread an effort to fix wages by judicial process, and wage adjustors were forced to

seek standards in accordance with which awards could be fairly made. That "there is no scientific method for accurate wage fixing" is frankly admitted in many of the decisions.[1] The starting-point for the work of the boards was usually determined in the agreements under which they were constituted. In organized trades union scales, at the time of the creation of the wage-adjusting boards, were frequently taken as the standard. This was the case with the Cantonment Adjustment Commission and the National Harness and Saddlery Commission.

The Railroad Wage Commission went back to the wages of 1915 and fixed new scales by addition to the 1915 rate of the lowest-paid worker the full increased cost of living, but scaling the increases down to zero for the man who earned $3,000 a year. The first decisions of the Shipbuilding Adjustment Board were also based upon the wage rates of 1915 but were arrived at by adding to every man's pay the full increase in the cost of living, and from time to time thereafter additional advances were made to the exact extent to which the Commission believed the living costs had increased.

The Fuel Administration, on the other hand, seems to have based its wage advances not so much upon the increased cost of living as upon the necessity for meeting competition of other war industries and keeping the men at the coal mines. This consideration was also an important factor in the later wage adjustments of the Railroad Administration.

The rising costs of the necessaries of life were always urged at the hearings of the boards as a reason for increases in pay, and all labor-adjusting agencies kept themselves informed of the calculations of the Department of Labor as to the extent of the increase and usually heard testimony of the men as to the increases for the particular locality in which the hearing was being held. Most of the boards, however, do not seem to have fixed the new rates in accordance with an exact mathematical calculation of the increased cost of living but seem to have taken this into account as only one of the factors upon which to base their conclusions.

[1] Decision of Judge Alschuler in the Packing House Case, dated March 30, 1918. *Monthly Review*, U.S. Bureau of Labor Statistics, May, 1918.

As a general rule wage advances were not as great as the increased cost of living. This is especially true where a fairly liberal scale was paid prior to the war, as in the cases of the highly organized workers such as the building trades. The lowest paid were those whose wages increased most. A study of the wage awards of the National War Labor Board for street-railway workers will show that for the eastern district the awards for motormen varied from 42 to 48 cents per hour. Some of the men were receiving in 1914 as low as 22 and 24 cents per hour; their pay was increased to 43 and 45 cents per hour, and they therefore received increases of from 85 to 100 per cent. (The increased cost of living from 1914 to August, 1918, was estimated at about 65 per cent.)[1] Some of the men received from 29 to 31 cents per hour in 1914 and were increased to 45 and 48 cents per hour, making their rate of increase from 50 to 55 per cent. Similar comparisons could be made in other unskilled and semiskilled trades. An examination of the increases in the wages of building-trade mechanics will show that the organized men in large cities received comparatively small increases, whereas the men whose wages were low showed much larger advances.

The tendency was toward standardization and uniformity, resulting in greater increases for some of the workers than for others. Nor was this wage movement confined to the government-controlled industries; the lowest paid in private industry were in many cases given advances in salary as great as, and in some cases even greater than, those awarded by the government mediating boards. The United States Steel Corporation, the vast majority of whose employees were unskilled and unorganized, increased wages from January, 1915, to October 1, 1918, 131 per cent in eight voluntary advances from February 1, 1916, to October 1, 1918;[2] and for the steel industry in general, in which wages as low as from 15 to 20 cents per hour had been paid to unskilled laborers, wage advances were made which averaged 121 per cent for the entire country.

During the summer and fall of 1918 it was thought by some of those engaged in labor adjustment that the time was near at hand

[1] Wm. F. Ogburn, in *Proceedings of the Academy of Political Science*, February, 1919, p. 230.

[2] *Seventeenth Annual Report*, United States Steel Corporation.

when labor, as a war sacrifice, would have to forego its right to receive increases in wages commensurate with the increases in the cost of living.

It is difficult to conceive of the acceptance by labor of the deprivation which such a renunciation would in some cases have entailed, unless private profit had been entirely eliminated from war industry, and unless there had been a radical curtailment of profiteering elsewhere. At any rate, the armistice was signed before any general application of the suggestion was attempted.

Minimum wage. As to the minimum wage the policies adopted were quite divergent. The National War Labor Board declared that workers, including common laborers, were entitled to a wage "which will insure the subsistence of the worker and his family in health and reasonable comfort." A statement to the same effect is also contained in General Order No. 13 of the Ordnance Department, before referred to. This principle was not expressly enunciated by the other mediating agencies but undoubtedly influenced their decisions; the National War Labor Board seems to have made the most earnest attempt to avoid setting rates which would not give the worker a minimum of subsistence. The careful studies of its experts showed that at the close of the war a minimum-subsistence wage for a typical American family of five members was $34.80 per week, and it was the wish of some members of the Board not to award less than this amount for common labor; the fact, however, that a great deal of overtime was being worked, and that existing standards were so far at variance with the proposed scale that its adoption might unsettle industry, led to strenuous opposition from the employing members of the Board, and a lower minimum was established.[1] In one case[2] common laborers had asked for only 30 cents per hour but were awarded 40 cents because this amount was being paid other war workers for similar work, and because the 40-cent rate came nearer to meeting minimum living requirements. At a later date 42½ cents per hour was set as the rate for common labor, and later 45 cents.

Equal pay for equal work irrespective of sex or color is another principle upon which all wage-adjusting boards were agreed. The

[1] Frank P. Walsh, *Survey*, December 7, 1918.

[2] *Employees* v. *Frick Co. et al.*, of Waynesboro, Pa., Docket No. 40.

reason for this rule was not only to do social justice to women and colored men but also to protect the men against the use of women to keep down the wages.

The shortage of labor required the introduction into industry of several million women workers and the dilution of the skilled trades. The unions readily consented to this influx of women into the shops, on the condition, however, that they be paid the same wages as men.

The application of the principle of equal pay to colored men received great publicity when it was proclaimed by the Railroad Wage Commission, and after its consistent employment throughout the war period it can be said that the principle of equality of payment is now firmly established as a maxim of public policy. To what extent the universality of its application will survive the war it is difficult to say. The combined force of public opinion and the labor unions will undoubtedly compel its enforcement wherever labor is organized.

Hours of work. There was a strong tendency toward the establishment of a basic eight-hour day which was introduced or extended in practically all of the war industries. The National War Labor Board did not in its statement of principles adopt the basic eight-hour day, except where required by existing law, but stated that ". . . . the question of hours of labor shall be settled with due regard to governmental necessities and the welfare, health, and proper comfort of the workers." In practice the board usually awarded the shorter basic day, and many of its decisions (especially those of some of its umpires) point out the fact that the eight-hour day has been generally accepted as a settled policy of the government and adopted in most private industries.

In many cases employers voluntarily adopted the shorter day, anticipating formal demands of the workers, so that the movement for the eight-hour day, which had its inception during the Civil War, may be said to have resulted in its almost universal adoption during the present world-struggle.

Overtime rates. Here there was a great lack of uniformity. The Emergency Construction Adjustment Commission applied union rates, and in the building industry these usually called for double time for overtime. The Railroad Administration did not

grant any extra remuneration for overtime "except where classes of employees had, previous to government control, secured the eight-hour day with time and a half for overtime."[1] The President of the United States, in his proclamation of March 24, 1917,[2] in which he suspended the operations of the eight-hour law and permitted a larger number of hours in government work, provided that at least time and one-half should be paid therefor. Time and one-half for week days, with double time for Sundays and holidays, was the rate usually adopted, although there were special cases where very much higher overtime rates were allowed.

It was in a failure to formulate proper rules limiting the number of hours of overtime work per day and per week that the labor administration made its greatest blunder. Such a restriction would have required administrative machinery to allow of exceptions in cases of real urgency, but the creation of such machinery did not present any formidable obstacle. At first there was no limitation whatever of the number of hours of overtime permitted to be worked. Most of the contracts were on a cost plus basis; in some cases the fee was a fixed amount, in others a percentage of the cost. In neither case did the contractor have any financial incentive to keep costs down, and in the latter case he directly profited by the increased cost. There was tremendous competition for workers which frequently took the form of offering excessive amounts of overtime as an inducement to get men. So far from increasing production, this resulted in a heavy labor turnover, as workers drifted from place to place seeking the largest obtainable amounts of overtime.

Some relief was secured by the rules of individual boards, limiting the overtime permitted to workers under their jurisdiction, but in most cases these rules were loosely enforced and were inadequate to meet the situation.

It was also found that the high earnings caused by excessive amounts of overtime resulted in irregularity of attendance. To overcome this evil the rule was adopted by some of the boards that no overtime would be allowed unless a minimum number of hours had been worked during the week; and to discourage excessive

[1] "Labor," in *Report of Director General of Railroads* for 1918, p. 9.

[2] *Monthly Review*, U.S. Bureau of Labor Statistics, July, 1917, p. 55.

overtime it was sometimes provided that, if a worker was required to work more than ten hours in any single day, he would be entitled to overtime for that day irrespective of the number of hours worked during the week.

These rules helped the situation, but their adoption came too late, they covered too small an area, and the regulations were too loosely enforced to affect appreciably the overtime evil which, until the signing of the armistice, continued to be a source of inefficiency, wasteful turnover, and needless expense.

When the armistice was signed the government went from one extreme to the other, and a general order was issued requesting that all overtime be eliminated. The enforcement of this order caused a great many strikes, which can be explained in part by the fact that in many cases overtime was taken into consideration when wages were fixed; that is to say, higher wages would have been awarded had not the adjustors known that overtime at increased rates would be worked and consequently set the wages at a figure lower than they would otherwise have done.[1]

AREA COVERED BY AWARDS

It is impossible to state accurately the number of men whose wages were fixed during the war by labor-adjusting agencies, as complete or accurate statistics are not available. We know that all the employees of the Railroad Administration and of the Emergency Fleet Corporation should be included in such a list—over two million for the Railroad Administration[2] and three hundred and seventy-five thousand for the Shipping Board.[3] The National War Labor Board fixed the wages of hundreds of thousands of street-car employees, workers in steel plants and machine shops, in the building trades and public-service corporations, laundry workers, printers, and of many others in minor trades.[4] The

[1] See Frank P. Walsh, *Survey*, December 7, 1918, p. 302; Judge Alschuler, the Packing House cases, *Monthly Review*, U.S. Bureau of Labor Statistics, May, 1918.

[2] W. S. Carter in *Proceedings of the Academy of Political Science*, February, 1919, p. 73.

[3] *Journal of Political Economy*, March, 1919, p. 147.

[4] The Labor Department estimates that 859,239 workers were directly involved in cases referred by it to the National War Labor Board up to June 30, 1918. This represents only a portion of the men directly involved in the adjustments of the National War Labor Board. See *Sixth Annual Report of the Secretary of Labor.*

Emergency Construction Commission of the War Department employed at one time as many as four hundred thousand building-trade mechanics. The decisions in the packing industry involved over one hundred thousand men;[1] the telephone and telegraph, under federal control, half a million men. The National Adjustment Commission adjusted the wages of most of the longshoremen; the Ordnance and Aircraft departments determined wage scales in thousands of shops throughout the country, more than a million men and women having been directly affected by the decisions of the adjustment agencies of these two departments. The coal miners were practically all covered by the rulings of the Fuel Administration, and so on throughout the industries of the country. A very large proportion of the workers were immediately concerned, and all felt directly or indirectly the influence of the government awards.

We might have expected that the experience of arbitration on so extensive a scale would have shed a flood of light on the problem of how peaceably to settle industrial disputes, because, not only was the work of labor adjustment carried on over a wide area, but there were represented in the adjustment bodies a great many different types of organization, a comparison of whose work might have led to very valuable conclusions. As to size, the boards varied from a membership of one, as in the case of the Administrator of Army Clothing, to the National War Labor Board, which consisted of twelve. Most of the boards provided in their membership for direct representation of employer and worker; there were, however, important agencies which were without such representation.[2]

It is the opinion of the writer that representation of capital and labor is desirable, if not essential, and yet the work of all the boards where such representation was lacking was very successful, except the New York Harbor Wage Adjustment Board and the Railroad Wage Commission, in both of which other factors entered. Many

[1] Report of President's Mediation Commission.

[2] The Industrial Service Sections of Ordnance and Aircraft, the Administrator of Labor Standards for Army Clothing, the New York Harbor Adjustment Board (as at first constituted), and the Lane Railroad Wage Commission were without direct representation of either side. No member of the Shipbuilding Adjustment Board represented the shipyards.

of the boards were composed of an equal number of representatives of employer and employee; others added a representative of the public, in whom was vested the deciding vote in case of a tie, or provided for the appointment of an umpire in such a contingency. Successes and failures of adjustment agencies of both types could be instanced.

Industrial peace is maintained, not so much by any particular type of arbitral machinery, although the war experience has shown that it is important to have ready at hand arbitration boards properly constituted and able promptly to decide the matters at issue, as by enlightened public opinion and by a conciliatory attitude of both sides with regard to the subject-matter of the controversy.

No form of mediation or arbitration will avail for any length of time to keep peace, where both sides are strongly organized, if there is lacking a reasonable agreement on the most important issues. In other words, if there exists any fundamental disagreement between capital and labor as to matters which both sides consider vital to their own interests, neither will for any length of time submit to an adverse decision, but will attempt to obtain its own way either by an immediate rejection of the award or, at the expiration of the period during which the adjudication was to remain binding, by means of a strike or lockout.

Here lies the industrial danger of the future. The records of every adjustment agency will show that there exists between even the conservative representatives of organized labor and many of the largest employers of the country disagreements on matters which each considers fundamental.

Wide differences of opinion cannot be adjusted by any form of arbitration. A reconciliation of opposing views by means of education and study, by the adoption by both sides of a statesmanlike attitude, and by mutual concessions to tide over the period that must elapse before divergent ideas can be brought closer together—all these are necessary if we are to avoid industrial disturbances of great magnitude.

The world-war has witnessed an entirely new realization by labor of its power in the community. This newly recognized strength was not exercised during the war except to obtain for the

workers a fair remuneration, the extension of the eight-hour day, and such conservative requests as collective bargaining and the right to organize into trade unions. After the signing of the armistice the first demand of a radically different nature was made when the railroad brotherhoods submitted to Congress a plan for the control of the railroads by the workers. It is demands of this nature which we may expect in increasing numbers, and with which we shall have to deal intelligently.

How the assertion by labor of its right to *control* industry is to be reconciled with the position still taken by many of the largest employers, who refuse their workers the right of trade-union membership, and who wish to dictate the form of collective bargaining which, if any, they will permit, is the question which stands out unanswered by a study of the work of the boards of arbitration during the war. This is the problem which in the next few years industry will be called upon to solve.

ALEXANDER M. BING

NEW YORK, N.Y.

THE AMERICAN AUTOMATIC TOOL

The reaction of labor-saving machinery upon society is at once the most urgent and the most important of modern social problems—the most urgent because, in even its present development, machinery is acting as a disintegrating social force, and the most important because, lying at the base of our industrial organization, it must eventually alter the fundamental relations of capital and labor.

Accepting fully the increasing values to civilization inherent in the constant refinement of machine processes, we must none the less recognize their equally sinister portents.

It is the purpose of this article to analyze the latest phase of our mechanical development, as expressed in the so-called automatic tool, and to indicate the social problems brought about by it and involved in its extending use.

I

Machinery may be roughly divided into two main groups, the first comprising machines whose principal purpose is to strengthen the arm of the worker, the second comprising those whose purpose is to supplant the worker or to reduce his function to a minimum. All machines falling within the second group may be termed automatic tools.

Although the principle of automatism in machinery is almost as old as machinery itself, yet as a factor in industry it is of comparatively recent growth, dating from about the late eighties. At any rate, about that time there appeared in American foundries an automatic device called the molding machine, designed for the making of iron and other cast-metal articles. Not significant in itself, it yet marked an epoch in the manufacturing industries, for in this machine the automatic principle, which hitherto had been more or less casual, now found a certain place and function.

Up to that time the entire trade of molding had been a skilled occupation, necessitating a long training under apprenticeship. Furthermore it lent itself readily to a high degree of organization

and was so well and militantly unionized as to control the making of all articles of cast metal.

With the advance of the molding machine, however, all this underwent a rapid change. Long training and apprenticeship were no longer necessary in the making of many articles, for a wholly unskilled laborer could, with short practice, turn out a product of a quality equal to the best work of the old-time molder. Thus the new device threw down the gage of battle to organized labor.

It is doubtful whether at that time the potency of the molding machine was at all understood. In general it was looked upon as primarily a means of fighting strikes. Certainly it was not regarded as the herald of a revolution. Yet such it was. Its real importance lay in the change wrought by it in the relation of the worker to his work. Through the course of time and by means of steam power and mechanical improvement of machinery the labor and skill required in the making of commodities had been greatly reduced. But in the main the principle of craftsmanship—of a personal talent, an aptitude for the doing of a particular class of work—had remained dominant in industry. In a certain sense and with few exceptions all earlier machinery was of the simple character which I have described as being but a strengthening of the arm of the worker. The molding machine, operated by the non-skilled, quickly trained laborer, thus became a new force in the unfolding drama of man's mastery of nature and in his evolving social relations.

Through the nineties the molding machine gradually developed and fought its way against the conservatism of employers and the vigorous opposition of union labor. By 1900 it had become a well-recognized tool, capable of making an enlarged variety of articles and many things of intricate and complex pattern.

The principle spread quickly to other applications in complementary trades. So there appeared the turret lathe, the screw machine, the pneumatic hammer, the grinding machine, and a score of other devices, the common effect of which was to afford employment in the manufacturing industries to a class of workers previously debarred through lack of the then usual apprenticeships. Incidentally the quantity of product per worker increased, and its precision and quality improved. As a consequence it made quickly

possible a great increase in production—a sharp advance in man's power to satisfy his expanding wants. It marked one of those abrupt turns of the road in industry which impart to civilization a new direction.

However important may have been the automatic principle as such, the explanation of its rapid development lies in the fact that it established itself coincidently with the automobile; for the automobile was also a revolutionary innovation. It was one of those commodities, or human wants, the general acceptance and use of which seems to explode rather than grow.

The particular relation of the automobile to the final development of the automatic tool is to be found in the enormous and varied numbers of duplicate parts required in motor cars and in the high accuracy required in the making of these parts to insure their perfect interchangeability. The production of any model of car by any large producer involves the making of literally millions of parts that must not vary from each other by the thousandth of an inch. The whole system of service in supplying repair parts, of economical operation in distant places, hinges on this standardization.

A contributing cause to the rapid development of standardization arose out of the novelty of the automobile. It was preceded by no equivalent. It was not an improvement of method in transportation. It was a new means of transportation. It had, therefore, to meet no previous standards, styles, or customs of wide acceptance. So great was the demand that each manufacturer developed his own design and supplied it universally. The same model that he sold in Pekin, Illinois, he sold in Pekin, China. The motor car was the first truly international commodity. It is perhaps within bounds to say that through it standardization first became an international term. How the war acted to emphasize and crystallize this fact is in itself a subject of intense interest, but one which we may not here pursue. It fulfils our purpose to point out that no such multitudinous and exact reproductions of parts as are vital to the automobile had ever before been required. Nor could such quantities have been produced by any machinery known to the nineteenth century.

As a consequence, and under the spur of such an opportunity, in approximately the decade 1904 to 1914, the automatic tool developed into a production power of the highest importance. In the making of motor cars it became and has remained indispensable. Nor is its principle today less indispensable in the making of thousands of other articles of common necessity and use.

II

I have said that the automatic tool introduced into general use a new principle in the manufacturing arts, and that this principle tends to diminish the need of trained skill in the operation of such tools. What then is the principle, and in what way does production under it differ from the old methods?

Automatism in machinery is the incorporation into a tool or machine of a function that previously resided in the operator of the tool. Thus the capacity to do a certain work becomes a function of the tool itself, one to which it conforms without direction by the attendant. An automatic tool is a self-functioning mechanism.

As before indicated, there are degrees of completeness in applications of the self-functioning principle. Some machines are almost wholly automatic, others might be more correctly designated as semi-automatic tools. Thus the use of the pneumatic hammer in riveting requires that the operator possess a considerable degree of skill, though the technique is more easily acquired than the technique of hand riveting. But where the automatic principle is highly developed the sole function remaining to the operator consists in placing parts in the tool and removing them from it. Incidentally he may start the machine and he may also stop it, though in a strict sense these are hardly operating functions, nor do they in any way affect the cycle of the tool's functioning.

It is difficult to make clear in words the utter detachment of the operator from any control over that which the tool does to the thing which he has placed in it. Of a truth, he becomes only an animated derrick. Put in, take out, put in, take out, for sixty minutes each hour, eight hours each day, six days each week, fifty-two weeks each year, under the always imperative condition that he synchronize the movements of his own body with the pre-

determined speed and cycle of the tool. The automatic tool thus attains its highest effectiveness when the human element in its operation has reached the irreducible minimum.

Of course the machine itself and the article or part on which it operates have a very intimate relationship. The material to be worked on, its weight, shape, size, and what has to be done to it, all have a distinct and controlling influence on the design of the tool; but none of these considerations in any way affects the operator of the tool, except as it may require physical adaptability, strength, deftness, or endurance.

As a consequence the automatic tool has depersonalized industry. The ordinary industrial worker of today need have no conception whatever of his work as a whole, nor even the most remote idea of the processes involved in the task at which he is occupied. With none of these is he concerned at all. His relation to his work is often as mechanical, and one might almost say as devoid of intelligence, as that of the locomotive crane to its load.

Yet the automatic tool itself is a superlative expression of intellect. It is made possible only through the co-operative efforts of men having a complete knowledge and practical grasp of every element of applied science in its field. It is the quintessence of mechanical achievement. It is at once master and servant of specialization. It has given into the possession of the few the knowledge which is power. It has imposed on the many that they shall labor only with their hands.

III

It may be proper at this point to discuss somewhat more fully the terms "standardization" and "specialization" as related to the automatic tool. Their industrial meaning is of concurrent growth with the extension of the automatic principle.

Standardization is the term applied to the processes of co-ordinating a product with the machinery and tools by which it is to be produced. It will almost invariably involve considerations of adapting means to an end. For example, the original design of an automobile engine may call for a part having a certain finish which cannot be performed on an existing automatic tool. Can the part be altered, or can a new tool or a new "rig" be devised?

When all has been harmonized on paper there remains the "trial and error" process of actually producing an engine by the means indicated. Only when all this preliminary work has been completed, when the quality of the product has been tested and assured, when the routing and stocking of materials has been arranged and the machinery located, is the factory ready for "quantity production." All this experimental work is a matter of high technical training, of wide knowledge of production, of fine personal skill, in short, of sublimated craftsmanship.

What happens thereafter is simply repetition. Each automatic tool is set to templet or gauge, and for the time being can only do that which it has been set to do. The Iron Man performs the sole bidding of its creators and cares not who impels it to act. The product has been "standardized." The attendant is but a cog.

Specialization is the process of dividing up the functions of standardization. Thus carburetors, magnetos, spark plugs, gears, chain belts, fans, pumps—a score of integral attachments of an engine—each one is itself subject to the same needs of standardization for its production as is the engine on which it is to be used. Yet each such attachment is relatively a small element of the engine. Why not, then, incorporate in the engine design an already standardized carburetor, etc., of proved merit for that type of engine? This is precisely what is commonly done. The standardized carburetor is thus a "specialty" made in a separate factory and by an organization devoted exclusively to its production by standardized methods.

Under the extending influence of the automatic tool specialization treads on specialization. A field for it comes into being whenever a gear wheel, forging, bolt, insulator, or other minor part can be subjected to standardized quantity production. This is the basis of the entirely modern phenomenon of "assembly," from the assembled specialty to the assembled car.

In the last century the specialist was notable; today his absence is remarked.

Virtually all the intricate and complicated industrial processes of standardization, specialization, quantity production, and assembly in the manufacture of ordinary commodities rest on the automatic tool. It has split industry into co-ordinated units of production.

IV

However great has been the effect of the automatic principle up to this time, its future development will be far greater. Specialized standardization, with all its advance, has as yet but made a beginning in American industry. It has extended itself somewhat to England under the pressure of war need. Probably it is much less employed in Central Europe. It has only recently been introduced in Japan. It does not at this time appear to have reached China. Yet there is seemingly no reason why it should not be equally effective as a producing power in all these countries, for its effect is greatly to reduce, if not altogether to eliminate, the potency of the earlier values residing in industrial tradition.

We may therefore confidently expect that in no long time the automatic principle of production must be employed, not only by these nations, but by the smaller industrial countries as well, and that all will strive to widen their applications of it to the greatest possible extent.

For the present, however, it is enough to say that the automatic tool is supreme in its various fields. In these fields it will produce any standardizable commodity for the least sum total of human brain and muscle. And as the totals of brain and muscle put into an article are at bottom its cost, the automatic tool possesses an inherent power to supply us with commodities at the least possible cost.

Moreover, it has increased the ordinary worker's effectiveness both directly and indirectly. The direct increase is in the greater quantity of product which can be produced by the worker while actually working. The indirect increase has a twofold aspect: first, the period of training for the operation of any automatic tool is commonly but a few days or less; while, secondly, its operator requires no general early or preliminary industrial training. It is probably within safe limits to say that today half of all industrial workers can find no possible scope in their work for any vocational training. Hence the ordinary hand worker may enter into the greater number of manufacturing industries at any suitable age without preparation and become practically at once a full economic producer.

As a corollary of great present interest, the mechanizing of functions hitherto residing in the worker has had the vastly

important result of opening the industrial field to a group which has always been debarred from it. Both directly and indirectly it has made place for the lame, the halt, and the blind. The absorption of the cripples of the war has become mainly a matter of adaptation. There will be few whom industry cannot use, and not many whose economic efficiency in adaptable occupations will be even seriously impaired. The same principle is, of course, at the bottom of the sudden irruption of women into the mechanic industries and of their very great success in many departments of the more delicate productions.

Preparation in the sense of apprenticeship, or of technical or vocational training, is now a necessity only to workmen in those classes of industry not subject to standardization, or not yet standardized, and, in standardized industry, to a relatively few individuals who essentially constitute a part of the engineering staff. That is to say, they are included in the group not directly engaged in production.

Thus the automatic tool has created an industrial condition wherein neither academic nor trade education nor craftsmanship, nor the shop wisdom and lore of an industry, nor knowledge of how to read or write, nor even ability to speak the country's language can have any substantial economic value to the great majority of workers. The college graduate, the unlettered Hunk, the irresponsible roustabout, the man and the woman, operating an automatic tool are all on the same plane.

It is this tremendous fact that explains why our Liberty motors —our quintessence of motor product—are perfectly built in large part by men and women workers who have had no sort of education whatever.

What all this means to the workers themselves and its relation to many of the social problems of the day are of course quite other stories.

Are we to consider the automatic principle a permanent force in industry? Or is it only a new and temporary element, mere dross in the crucible that we shall some day skim off? Or should we regard it as an evil that, for the preservation of our institutions, we should suppress? The answer may perhaps be found best in a

question. Would we dispense with the automobile, or the five and ten cent store, or the multitude of things that come to us in tin cans and glass bottles? These and many other commodities of modern life depend ultimately upon the principle of the automatic tool.

The Iron Man multiplies the power of the human man, without need to eat, sleep, or rest. The price exacted is that the human man shall become as but a cog in the functioning of the Iron Man. Like a cog too he must mechanically function with his fellows, putting aside for the time being his human relationships. Mechanical production of commodities has cut off the old human intercourse of industry.

What is the cure? We might perhaps paraphrase Macaulay and say, "The cure for the automatic tool is more automatic tools." The tool has developed and has been developed under relatively restricted conditions. It has been an important factor in the rapid growth of great industrial centers, from which in turn have poured forth the material commodities of civilization. Yet relatively only a few of the people of the world are endeavoring to supply the commodities of civilization to all the world; so they have become slaves of the world through their tool. When all the world supplies itself through the tool the slavery will cease. Under its universal use the toil of each for subsistence will be intensively concentrated in short periods, and we shall thereby earn and distribute that most precious commodity, leisure. But it will be a very different world. Many gods of today will have tumbled, and some of the tumbling may be painful.

Whether we will or no, we must accept the fact that the hand of man has fashioned an instrument of wonderful power for use in his contest with nature, a power that may almost give him the mastery in his struggle for subsistence, a power demanding great intelligence, much knowledge, and keen skill of a few, and no knowledge, little intelligence, and small skill of the many; yet as an inexorable consequence imposing problems of human co-ordination that even now press for solution, problems too that will not accept temporizing or dismissal, problems that are vital to civilization itself.

ERNEST F. LLOYD

ANN ARBOR, MICHIGAN

THE PLACE OF AGRICULTURE IN MODERN INDUSTRIAL SOCIETY. I

So short a time has elapsed since the economic life of the United States was predominantly agricultural, our industrial development is still so novel to our national thought, and so imperfectly have we as a nation grasped the idea of social solidarity, that it is not at all strange that untenable or even mischievous views upon the relationship of agriculture to other parts of our industrial organization are frequently to be met with. As long as such notions persist, the proper and effective rapprochement of rural and other interests cannot be expected. It becomes therefore a highly practical endeavor, and no mere academic pastime, to draw up the most searching formulation we can of the place of agriculture in a modern industrial society such as we are fashioning in America.

I. THE AGRARIAN BIAS

It goes without saying that from an early day in the history of the race until the recent past a question concerning the place of agriculture in a scheme of mutually adjusted industries would scarcely have arisen. Agriculture was the dominant calling of mankind. It is hardly too much to say that agriculture *was* industry. The relatively few and feeble other arts of ancient and mediaeval times were mere handmaidens to this ample mother of our economic life, save as they were pressed into the service of that other great pursuit, war. And since war was so largely waged for the acquisition of new domains for the herdsman or cultivator, the supremacy of agriculture continued, with but brief and local exceptions, until a relatively recent date.

Indeed it was not until the growth of trade and commerce in the seventeenth and eighteenth centuries that a non-agricultural class was able to rise in such numbers as to challenge the ascendancy of rural interests. Promptly thereupon there was evinced a lamentable tendency toward factional division, every advance

of trade or industry being reflected in a gesture of retaliation or of self-protection on the part of agriculture. Eventually this jealousy came to formal expression in the well-known physiocratic doctrines of Quesnay and his followers, not only in France but elsewhere on the Continent and in England. These preachers of an "agricultural system" of political economy asserted that agriculture was the only truly productive occupation of mankind, and that all persons not so employed were simply "sterile" consumers of the products created by the farmer's industry.

Even Adam Smith "clung to agriculture with all the tenacity of his nature, and no opportunity of showing his preference was ever missed. . . . . Not only is it more difficult, but it is also more useful. . . . . He never subjected agriculture to the indignity of equal treatment along with other forms of economic activity. In his work at least it still retained its ancient pre-eminence."[1] He naïvely argues that "in agriculture, Nature labors along with man; and though her labor costs no expense, its produce has its value, as well as that of the most expensive workmen. . . . . The labourers and labouring cattle employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital which employs them, together with its owner's profits, but of a much greater value."[2]

Nor has this idea disappeared with the passage of time. There seems still to run from generation to generation an indomitable thread of belief which holds that agriculture is more truly or more nobly productive than other human pursuits. Webster's "Let us never forget that the cultivation of the earth is the most important labor of man" is still thundered in our ears, and an enormous

[1] Gide and Rist, *History of Economic Doctrines*, pp. 67, 68.

[2] Adam Smith, *Wealth of Nations*, Book II, chap. v. Smith followed the foregoing quotation with the yet more astounding remark, "Over and above the capital of the farmer, and all its profits, they regularly occasion the reproduction of the rent of the landlord." If contractual relations in England at this time were posited upon the theory that trade and manufactures were not productive of anything which could be claimed as rent from the land which they employed, it is not to be wondered at that the surpluses remaining in the hands of merchants and manufacturers were such as to justify the evident preference for these callings as compared with farming.

following is attracted by Mr. J. J. Hill upon the following platform:

> There must be . . . . a readjustment of national ideas such as to place agriculture, and its claims to the best intelligence and the highest skill that the country affords, in the very forefront. There must be a national revolt against the worship of manufacture and trade. . . . . A clear recognition on the part of the whole people, from the highest down to the lowest, that the tillage of the soil is the natural and most desirable occupation for man, to which every other is subsidiary and to which all else must in the end yield. . . . . Then there will be a check administered to the city movement that lowered the percentage of agriculture labour . . . . from 44.3 in 1880 to 35.7 in 1900. With public interest firmly fixed upon the future, the country, in mere self-preservation, must give serious attention to the practical occupation of restoring agriculture to its due position in the nation.[1]

In varying keys and at different tempos the same motif recurs again and again. Cities are a menace, industrial development a delusion, agriculture the one God-ordained and Heaven-preferred calling of mankind. The golden text of agrarian dissatisfaction is to be found in the antithesis of agriculture's great pretensions and its humble station in the roster of present-day economic and political groupings. The mere fact of priority even is drafted into service as an argument in behalf of hierarchical superiority.

> Adam was a farmer, and the first mission on which man was sent was a farming mission. . . . . And if the tilling of the soil was then the most essential thing to the existence of the human family, and the human family still subsists upon the same products of the ground that mankind did then, farming must now hold a pre-eminence of all other avocations of life. . . . . The world could not exist twelve months without him [the farmer]; still he has no voice in the world's affairs, and but very little in his own.[2]

Or, turning from the rather pessimistic look backward or around to the more optimistic view of the future, we have this ambitious sentiment:

> Reared to regard farming as the most worthy of callings and the farmer as the foundation and bulwark of civilization and liberty, and having had these early sentiments strengthened and confirmed by experiences, he [the author] is actuated by the desire of seeing the farmer assume that position

[1] *Highways of Progress*, pp. 40–41.

[2] Flowers, *The Farmer and His Relation to the Country, the Manufacturing, the Speculative and Political World*, pp. 9, 11.

at the head of the industrial world which the Creator manifestly has surrounded him with the opportunities to assume and dignify. . . . . The author firmly believes that the solution of the vexed industrial question of the day can be solved only by the farmer who, as both laborer and capitalist, occupies the position of rational arbitrator between capital and labor, but that the farmer can reach the solution only by well-directed farm organization.[1]

All such efforts to maintain an invidious distinction between agriculture and other industries mark but a belated survival of the unscientific analysis of economic life which characterized the nascent period of economics, when the productive power of land was regarded as "original and indestructible," and bald labor theories of value held the field. That any faction still argues that agriculture does by innate right and should in our social arrangements occupy a position superior to other industries simply shows that the more adequate economic theories of today have not yet superseded in some quarters the quaint patterns of thought which belong to the time of Louis XV. Such a philosophy it is that animates the extravagent utterances which, like thunder, precede the storm of each new farmers' "movement." On it can be based any amount of denunciation of bankers, of produce exchanges, of transportation companies, and of industrial concerns in general. Such an argument is implicit in most of the attacks upon the middleman and has prejudiced many a rural-credits discussion. It adds fuel to the Non-Partisan League's damning of "Big Business" and in part made the issue upon which farmers were attracted to the Populist party. Just in proportion as our rural interests approach other economic classes with this obsession of divine right or of natural preferment, by so much are they unfitted to deal fairly and effectively with the social and economic adjustments in which these several industries are mutually concerned.

II. THE MERCANTILIST BIAS

However much the votaries of agriculture may have cherished the belief that this is the greatest and noblest of all human enterprises, such a theory has been confronted more and more by a condition of politico-economic organization based on quite another

[1] Ashly, *The Riddle of the Sphinx*, p. 5.

scheme of values. Most of those persons who have held the reins of power in Western Europe and industrial America have rated agriculture as a humble, though of course necessary, order, ancillary to the more glorious commercial and industrial occupations upon which the progressive nations of the modern period have aspired to base their claims to greatness and to stake their national destinies. Section I of this paper calls attention to the physiocratic bias which has sometimes warped our thought and actions with regard to agriculture and its relations to other industries. It is no less important that we avoid the bias of mercantilism, an economic philosophy which has been as a religion to that fraction of the population which, by virtue of the existence of an agricultural surplus, has been freed from the need to apply its labors directly at the source whence economic values are wrested from the bosom of the earth itself.

Industrialism, mercantilism, and economic imperialism have been joined in a triple entente in England, in Germany, to some extent in France, and now in the United States and other countries which are passing over from an extractive to a manufacturing and commercial development. For mercantilism, we must not forget, has meant not merely disproportionate stress upon a large cash balance but also overemphasis upon (*a*) a great volume and high density of population, (*b*) the superiority of foreign commerce as compared with internal trade, (*c*) the greater possibilities of profitable development in fabricating industries than in the production of raw commodities, and (*d*) state activity as a means of artificially bringing these ends to pass.[1]

Just as the prevailing sentiment of their times was reflected in the writings of the earliest political economists,[2] so the persistence of a like mercantilist viewpoint is strikingly revealed in the

[1] Roscher, *Geschichte der National-Oekonomik in Deutschland*, pp. 229–31.

[2] "Antonio Serra is regarded by some as the creator of modern political economy. He strongly insists on the superiority of manufactures over agriculture as a source of national wealth. . . . . The first systematic treatise on our science which proceeded from a French author, Montchretien de Watteville, is filled with the then dominant enthusiasm for foreign trade and colonies. . . . . His book may be regarded as a formal exposition of the principles of the mercantile system for the use of Frenchmen. A similar office was performed in England by Thomas Mun."—Ingram, *A History of Political Economy*, pp. 46–47.

fact that modern textbooks on economics have been so exclusively treatises on manufactures, trade, transportation, and public finance, and the business of farming has received such slight attention, that at length certain economists felt the need of setting forth separate expositions of rural economics as a means of bringing agriculture within the purview of economic science.

The reason for this exalted opinion of trade and industry is not far to seek. It was undoubtedly true that commerce and manufactures had opened a stage of increasing returns to the business enterprise of England and other industrial and commercial countries, but we must not fail to perceive what are the conditions under which this greater profitableness appears, in order that we may keep a canny eye upon the point at which that advantage ceases. It might well be said that we are concerned with the problem of the long-run or normal adjustment of agriculture to these other pursuits, for it must be evident that the epoch now drawing to a close has been one of highly abnormal relationships such as the world may experience but once.

The day of mercantilism's dominance has been one in which the manufacturing and trading nations might with impunity and indeed with much profit neglect agriculture and rush their men and their capital into these other lines of economic enterprise, simply because of the fact that there had suddenly been brought within the field of economic organization certain primitive peoples and certain virgin lands whose unworked resources and unsatisfied, indeed unaroused, demands offered a phenomenal opportunity for shrewd exploitation. Trading glass beads for beaver skins or red calico for ivory represented the first and extreme stage in this joyful process of bringing diverse economic zones into market balance with each other through the erection of a world-economy based on trade and manufactures and mediated by cheap transportation facilities and geographical division of labor.

It is apparent, however, that the disappearance of these cultural diversities was not a consummation for which the economic mercantilism of any of the European industrial countries devoutly wished; for it was from just this divergence in their economic planes that commercial and industrial countries were enabled to

derive a differential advantage. How loath they were to lose it is evident in the efforts made to keep their colonies as exclusively as possible in the extractive stage of economic endeavor—great landed estates to be worked for the benefit of the lords of trade in England, Holland, France, or wherever. Those who worked them were to get a decent living (unless they chanced to be black or brown or yellow and could be easily bargained or forced out of it), but the surplus (whether narrowly interpreted in terms of coin or more broadly in terms of value) was to make life soft and agreeable for the economic aristocracy of the motherland.

Furthermore the same attitude which has led to the perpetuation of a political theory of colonial subservience has had its parallel in an imperial attitude of certain classes within the country, which seems to reveal in a different setting this same feeling that manufactures, transportation, and trade make up a natural oligarchic group destined to exercise a sort of economic overlordship toward agriculture. The trade city or industrial region becomes in the small the counterpart of what the trading or manufacturing motherland was in the large, and rural regions fall into a sort of colonial dependency, their economic function being regarded as the turning out of the biggest possible surplus of agricultural products from highly specialized producing zones, thereby creating the maximum tonnage for railways and ships and the largest volume of trade for mercantile agencies.

To be sure, this exchange organization was inaugurated as a means of increasing economic efficiency and securing cheaper products for both productive and final consumers. Only by introducing some saving could these commercial agencies gain a foothold under conditions of free competition. But eventually a trade which bade fair to languish with the waning of these natural advantages has often been bolstered up by the artificial stimulus of preferential treatment at either public or private hands or both, such, for example, as tariffs or bounties, banking or transportation discrimination. Mercantilist England passed her Navigation Laws and drew up her list of Enumerated Articles, not as a means of securing the maximum economy in the world's production and exchange or, still less, in order to secure the largest

measure of economic welfare for the colonists, but rather as a means of increasing freight receipts, harbor dues, customs duties, traders' margins, and bankers' commissions in England. Likewise there is a tendency among modern urban interests, after they have earned a worthy and deserved return by furnishing economically beneficial services of exchange, to pass on to claim a vested interest in these sources of income and to the stimulation of trade for its own sake and not as a means to greater economic efficiency through the geographical division of labor and productive specialization. There is ground for a suspicion that they regard both the producing and the consuming capacity of our country population as a proper object of exploitation by imperial urban interests.[1]

It has been generally accepted as axiomatic that the demand for cultural utilities is vastly more elastic than that for original materials, or, in other words, demand for fine qualities and accompanying service commonly outruns the demand for goods as such. It has generally been believed also that the expansion of industrial employments is subject to a law of increasing returns or of decreasing costs, whereas extractive industries are subject to a law of diminishing returns or increasing costs.[2] These principles readily explain the tendency of non-agricultural business to maintain a lead in profitableness beyond that secured in agriculture. Subjected to analysis, this means simply that capital applied in large quantities to manufacturing, transportation, and the like has yielded a large return to those who had the far vision and the sure touch of the true industrial promoter during the period since the introduction of a power-machine technique. This was dependent, however, on cheap food and raw materials, which could be secured as long as new lands were being opened for exploitation. Thus the two divisions of industry are not independent of each other, and increasing costs in extractive production tend ultimately to neutralize decreasing costs in the manufacturing processes

[1] Cf. Lord Sheffield's remark that "the only use and advantage of American colonies, or West-India Islands, is the monopoly of their consumption and the carriage of their produce." Quoted by Bogart, *Economic History of the United States*, p. 93.

[2] See Senior, *Political Economy*, 6th ed., pp. 81–86; cf. also Taussig, *Principles of Economics*, I, 186–88, 191–92.

proper, which are only a part of the whole process of bringing manufactured products into existence. Even now our productive technique has moved on to a point whence is clearly discernible the unreality of this apparent antithesis between industries subject to increasing, and those subject to diminishing, returns. Superficially available wealth is soon "panned out," and the extraordinary stage of direct appropriation which ensued upon the discovery and settlement of the previously unexplored portions of our globe is rapidly drawing toward a close. The war has closed the old era with a dramatic flourish, calling even England to witness that the supposed superiority of commerce, manufactures, and banking is not inherent and abiding but has been merely incidental to the stage of relative development during the past one hundred years or so.[1]

European trading and industrial countries have been glad to delegate the work of agriculture to the colonies because they thought it the least profitable employment for their capital and labor; and so it was for old lands when placed in competition with the virgin fertility of newly discovered provinces. And for these new lands it was quite as obviously the most productive employment in a day of scanty population and limited capital. The exaltation of agriculture in early America and of commerce and industry in Britain at the same time was perfectly logical, provided the relativity of their situation to time and industrial development is borne in mind. But the bloom of youth is quick to pass, and, after a brief but riotous heyday of virgin fertility, even so new a land as America is rapidly passing into the ageless period of permanent use and productivity wherein true costs of production begin to figure potently, and agriculture passes onto an industrial basis[2] like any other human occupation of using the materials and forces of nature under an administration shrewdly cognizant of their scarcity value and toward the production of the maximum market surplus. Even now that the flood of nature's loot has begun to dry up it would appear that, under conditions of the present dispersion of population, present transportation facilities, and the state of the arts, the advantage in relative

[1] Cf. pp. 489–91.

[2] See also the latter part of sec. IX of this article (in July issue).

profitableness lies still with non-agricultural pursuits. To be sure, we lie close enough to the point of equilibrium so that we have heard frequently in recent years a cry of "Back to the land," but the universal testimony of European countries as well as of our own seems to be that the tide sets still toward urban centers, and the mercantilist bias of thought has certain solid facts on which to stand. Such a bias, however, is even more dangerous at this stage of our development than at an earlier period, and we should guard against it.

III. THE GOLDEN MEAN

Side by side, but with little mutual understanding of each other, these two philosophies have come down to us through the ages. The first, that of agricultural dominance, is the economic gospel of the simple life. Its adherents would keep our social or national edifice so close to the ground that storms could scarcely touch it; safety first, last, and always—but a very lowly order of economic life, a "Chinafied" existence, to use the phrase of those who hold this ideal in low esteem. The second creed, that of commercial and industrial dominance, is the spontaneous philosophy of a soldiering, law-making, corporation-promoting people. The native mercantilism of its adherents bids them build a towering structure of trade, industry, and finance upon the slenderest possible foundation of agriculture. Such a national edifice becomes the shining mark for every attack, the steeple for every thunderbolt of destruction. Its maintenance demands ever more vast transportation facilities, a miraculously expanding but never breaking financial structure, and a navy of giant power and a Gargantuan appetite for appropriations. The collapse of Germany's house of cards built after this plan gives a flaming picture of the power of such endeavors to destroy themselves.

Between sodden safety and perilous progress, however, there must be some golden mean wherein height and breadth are fitly proportioned to each other, and where, instead of the distortion of a single member and the atrophy of all the rest, we may have the strength that comes of carefully considered symmetry. America is challenged today as never before with the need of effecting a skilful adjustment of all the parts of her economic life in that

harmonious proportion which alone can give an equal measure of well-being to all her parts, and health and vigor to the whole of the body politic.

Certainly the United States has outgrown the idea of being merely a nation of cowboys and cotton planters, wheat growers and hog raisers, truck farmers and orchardists. We are already a nation of iron smelters, machine builders, spinners and shoemakers, bankers, and scholars and artists. No one in his right mind would deny the fundamental and residual importance of agriculture in our scheme of economic life. However, instead of stopping our national building with the completion of that good foundation, we are concerned to rear upon its broad support the noblest conceivable structure of modern civilization. In this we are concerned not to have the largest possible proportion of our labor employed directly upon the land but rather to relieve as many as can be from the soil to fabricate raw materials into finished forms and to enrich our civilization with the greatest possible diversity and perfection of culture employments. The ruthless preacher of "Back to the land" would "kill the thing he loves,"[1] because the decline of non-agricultural callings means the impoverishment of agriculture by striking from under it many of the most essential props of its efficiency.

The maintenance and expansion of agriculture can be effectively provided for only by developing at a suitable rate the agencies of transportation, trade, and industry. Not for a moment should we forget the extent to which the modern farmer's performances are conditioned by the scientist from whom he has learned his present technique, the manufacturer who provides his equipment, or the financial institutions through which his business operations are transacted. Thus, for example, the farmer cannot hope to make his labors on the land achieve the maximum productivity possible to the modern industrial state of his art unless there are great factories turning out labor-saving implements and fertilizers and mill feeds. American farming would lapse back into an ineffec-

[1] Albeit I have a suspicion that the majority of such exhorters have, in fact, a purely Platonic affection for agriculture. They are concerned with having a large output of very cheap farm products to ease the way of industrial prosperity, and worry not at all about the welfare of those who produce these goods.

tual past if it were deprived of building materials and potash by the closing of cement mills; or if it found the supply of slag phosphate or the raw materials of its implements, fencing, etc., curtailed by the decline of our steel industry; if it did not find that, under an effective division of labor, rock phosphate and ground limestone and hog cholera serums and electric light plants and automobiles and papers, magazines, and books were being produced for it by specialized but non-farming groups. It prospers by and depends upon a system of rail and water transportation which brings it jute and sisal hemp from tropical lands, nitrate from Chile, and countless greater or lesser wares from the four corners of the earth. Most of all, however, the country depends, and must continue to depend, upon the town for the creation and distribution of those products of a high civilization without which our whole life would slip back to a lower and more primitive level, and which are produced only in the centers of population, where certain intensive forms of social activity are possible, and where the highly specialized ability and equipment which are needful can be supplied. In other words, the maintenance of our general civilization is essential to the farmer not less than to other classes of our society.

This is a fact apparently forgotten by certain dangerous friends of agriculture. They seem blind to the fact that if our life is to rise above the level of mere belly-filling and back-covering, a considerable fraction of our population must be freed from the soil to pursue the not less essential callings of the manufacturer, tradesman, engineer, scientist, teacher, writer, statesman, and artist; and that they must be fed and clothed and, in general, given economic rewards commensurate with the importance of their service. How many men and women can be spared and how adequately they can be equipped to pursue the labor necessary to endow our common life with better machines or better government or greater spiritual goods depends first and last upon how large a surplus of food and clothing is produced in our agricultural industry. Hence their reciprocal interest in the farmer and in the maintenance of agricultural productivity. If we are to multiply the conveniences of life, add to its beauties, and study its natural and spiritual mysteries, this rising standard of life must be supported by an enlarging

flow of subsistence goods. Urban dwellers will follow their own true interests in safeguarding the prosperity and hence the efficiency of our rural population, and, equally, our country folk will advance their own well-being by a careful consideration of the true interests of towns and industries.[1]

The day when men seek to draw invidious and wholly imaginary distinctions of greater and less, more honorable and less honorable, between the different classes of our productive population should have passed away long since. Such futile notions hark back to the dark ages of economic thought or rather to the metaphysical wranglings and theologic quibbles which preceded the coming of natural and social science. The real problem is that of economic expediency or industrial equilibrium, and the obvious truth that our civilization is "one and inseparable" should be kept vividly and steadily in our consciousness. If social theory has failed to convince our people of this fact, we should at least have learned the lesson from the practical experiences of war. There the ability of the contending parties to keep going, the weight of the blow they were able to deliver, came down in the last analysis to their ability to turn over to the armies a surplus above the requirements of the civil population. Now, just as the armies were engaged in an enterprise not immediately productive but nevertheless of the utmost concern for future existence and progress, so that part of the population not engaged directly in producing the bare necessities of existence may be called the army of the economic future, and upon how large we are able to make it and how fully we are able to supply it depend the greatness of the objectives which we shall be able to win and the rapidity with which we can advance toward them.

When the Great War started we held the unconscious assumption that there was a well-marked line of division between the two parts of our war organization, but we were soon forced into a realization of the fact that both were equally indispensable and mutually dependent, and that only by having a nice adjustment of each to the other and both smoothly working in a properly correlated endeavor were we able to move forward to victory. It

[1] See, however, the latter part of sec. VIII of this article (in July issue).

is time we were realizing that human life is in fact a vast single enterprise, even though it chances to be departmentalized into more or less distinguishable parts, which we habitually refer to as agriculture, mining, lumbering, manufacturing, trade, commerce, the professions, etc. We are all engaged in the business of furnishing ourselves the highest possible standard of living, though some are assigned to one station and some to another. The essential point is, however, that this distribution of labor shall be such as to produce the maximum of efficiency, and that the various classes who participate shall share proportionately in the good things which are jointly produced.

Politically the world is advancing steadily and with reasonable celerity from an organization based upon exploitative imperialism toward democratic federation of free commonwealths. It is altogether fitting that the day in which we are struggling to establish this political ideal should be marked by substantial progress toward the achievement of a like goal in our economic life. It is as important that we develop an industrial organization capable of drawing forth the full capacities of our productive classes in a co-ordinated economic endeavor as it is that we should keep small nations from falling under the domination of mightier neighbors or distant imperial powers. It is as important to forestall causes of strife between industrial classes as it is that we prevent the future recurrence of wars between states.

IV. PASSING FROM THEORY TO PRACTICE

What has been said thus far relates to what might be called the interoccupational balance but has made no very specific reference to any particular economic area or boundaries. This was done consciously, in the hope that the general proposition concerning the mutually complementary character of agriculture, manufactures, and mercantile and financial callings might stand out the more clearly and obviously. Whatever a man's trade or wherever his home, he can hardly fail of seeing that these vocational groupings as a whole must bear some tolerably definite relation to one another at any given stage of the arts and of our social evolution. Clearly we cannot all be bankers, nor glass

blowers, nor toe dancers, nor celery raisers. Clearly too there is some fairly harmonious ratio between the amount of celery we will eat, the quantity of glassware we can use, the amount of toe dancing we care to see, and the demand we shall have for the services of the banker.

It is patent, however, that most economic callings must have a local habitation as well as a name. While Pavlowa can pack her tarlatan skirts and follow the will-o'-the-wisp market for toe dancing the round world over, most of the pursuits of life are not so conveniently (or inconveniently) cosmopolitan. They are deeply rooted in some particular locality, by reason of their dependence upon natural resources, population groupings, or some subjective consideration of their followers—notably patriotism and the property nexus between persons and fixed forms of capital. A man is not merely a broker but also a New Yorker, not simply a miner but likewise an American, not only a hog raiser but an Iowan too, not a grocer *in vacuo* but "the pioneer grocer of Belle Plain." Very likely his personal fortune is contingent upon the maintenance of the level of prices for corn-belt land, or upon the good-will of the druggist's jobbing business located by his father and built up through forty years of patient effort, or upon the continuance of lemon imports from Sicily or of the export of soda fountains to Buenos Aires.

In the philosophy of entrepreneur economics, whatever is, is right. Any business or calling which has established itself in a profit-making position embodies certain present achievements and future aspirations which assert their right to protection as against whatever forward-looking plans we may hereafter entertain for the adjustment of our economic relationships. Vested interest capitalizes any situation upon which it has prospered and fights to maintain its own institutional frontiers as tenaciously as the most avaricious dynastic or nationalistic diplomat at Versailles. This is what gives to our general problem its concrete and local character. Will the United States in 1919 show herself capable of formulating a policy for the epoch upon whose threshold we now stand, which shall rest upon the impartial judgments of a sound social economy and not be the partisan program of commer-

cial or agrarian or manufacturing interests? Not alone the professional economist, but likewise every intelligent citizen, should be vividly aware of the issue which confronts us today. We are now choosing a course which will have enormous consequences upon our future development. Shall we allow the utilization which is to be made of the natural resources of our country, the investment of our accumulated capital, and the application of the energies of our people to be dictated by the personal advantage of a small number of strong personalities, more perspicacious than the rest of our people as to the economic trend which will produce for them individual riches or class prosperity? If we are to drift among the troubled waves of factional interest we shall fare but slowly, if at all, toward any port worth reaching. Instead of this we need the best of seamanship upon our economic ship of state. Just this problem it was that called the science of economics into being, and the eternal inquiry into that method of conducting our business life which is best calculated to create and to conserve the wealth of nations is still the central purpose of our study.

V. NATIONALISTIC EXPERIMENTS—FRANCE

Indeed, looking back through the long perspective of the past, we find this the most pressing question with which successive civilizations have wrestled (whether in specific terms or not), and upon whose outcome they have fallen, stood still, or gone forward. Owing to its relativity to time and place and circumstance it has never been solved, but we may gain much from a brief glance at the various ways in which it has been met heretofore. Barring those tribes which have failed to rise above a state of savagery, we have in ancient times two types of answer to this persistent problem of the human race. First there stand a few very old civilizations which have accepted that rather imperfect or partial solution to the riddle which has maintained their agriculture in some sort of quantitative adequacy but has failed qualitatively to secure such productive efficiency as to permit the erection of any very elaborate or very widely diffused culture life upon this foundation. Notable here are China and pre-British India. Second come a long line of nations or empires, from Chaldea to Rome, which

conceived ambitious plans for a high and progressive civilization, which actually brought to being successive types of culture each surpassing anything known before, but all of which ultimately met national defeat through the failure of the needful agricultural foundations to their social life, or through failure to produce a suitable non-agricultural surplus of their own and an efficient and economical commerce with more agriculturally inclined nations or dependencies, through which to provide an adequate and permanent support for that ample plan of social life. The end of the feudal age, even, found mankind still with no adequate solution to the question how to establish a civilization which should be of an advanced type and yet capable of maintaining itself upon a basis of economic permanence.

Since the beginning of the modern epoch Western Europe and the new nations she has planted overseas have registered a new level of achievement. Their experience, however, has been far from uniform but may be conveniently divided into two typical groups. In the first group are those nations which, like Britain and, at a later date, Germany, aspired to develop their manufacturing to the maximum and, through a highly organized commerce, to make profitable exchange of their products for the food and raw materials of other lands. In the second group are those countries whose national resources or inclinations did not conduce to such industrial development, but who have prospered by the assiduous cultivation of their agriculture or other extractive lines of production, for whose products their industrial neighbors offered a ready market. Chief here are Denmark, Holland, Sweden, Russia, Italy, and much of France and Belgium. Holland and France are excellent examples of states which were early caught by the lure of foreign trade and industrial expansion. Holland even, had her commercial supremacy not been snatched away by England while handicraft industry was yet the order of the day, must, with the advent of the Industrial Revolution, inevitably have succumbed to the industrial competition of countries better adapted than she to power manufacturing. In France, Colbertism swung even farther toward artificial stimulation of trade and industry. We have already observed how the equal but opposite distortion of

view introduced by physiocracy restored the semblance of a balance—a balance which, however, the French have tolerably well maintained down to the present time.[1] It is interesting to speculate whether this would have been the case had France remained during the last half-century the possessor of the coal and iron resources of Alsace-Lorraine.[2] With the probable

[1] The natural position of France, which had dictated a "Continental policy" to the military genius of Napoleon, led quite as naturally to the continuation of a not dissimilar policy in the economic struggles of peace. "A corn law of 1814 differed widely in character from the English corn law of the following year, but was dictated by the same purpose to protect agricultural interests. Duties on general imports were raised in 1818, again in 1822, and yet again in 1826, when the protective system was made so thorough as to give evidence of a settled purpose to render the nation practically self-sufficing. Designed originally in the interests mainly of manufacturers, the system had been extended until it served the interests of agriculture fully as well" (Ogg, *Economic Development of Modern Europe*, p. 282).

The movement in favor of free, or at least freer, trade which was inaugurated about the middle of the century (and one of whose most ardent supporters was Bastiat) could gain a footing only as corn farmers and wine growers, not less than iron-masters and owners of textile mills, were convinced that their prosperity would not be adversely affected, and only after such commercial liberalization had already been brought about in England and other countries (see Ashley, *Modern Tariff History*, pp. 352–72, *passim*).

[2] After the Franco-Prussian War a general depression swung France again strongly toward protectionism. This depression was, if anything, more severely felt by agriculturists than by manufacturers, and in the campaign of 1880–81 in favor of protection the *Société des Agriculteurs de France* was not less active than the *Association de l'Industrie française pour la Défense du Travail national*.

Although the Senate and a tariff commission of the Chamber both favored the taking of steps to maintain agriculture in the face of American competition ("the American peril"), the ravages of grape phylloxera, Austrian and German bounties on beet sugar, and a succession of bad harvests, little was accomplished in the tariff of 1881. "For all these various reasons the agriculturists were distressed and dissatisfied; they were ready to follow the leadership of Méline in his energetic campaign in favor of the extension of Protection to agriculture; and a characteristic feature of the tariff history of France, as of Germany, in the decade 1881–90 is the development of Protection in this particular direction" (Ashley, *op. cit.*, pp. 390–91).

The tariff of 1892 marked the highest level of protection to agriculture. Besides such measures of support there have been bounties on several agricultural products, an admirable ministry of agriculture, excellent agricultural education and fostering legislation along the line of co-operative organization, rural credit facilities, and the like. The prosperity in which agriculture has been maintained is evidenced by an increase in the production of wheat, rye, and oats from a ten-year average of 129.1 million quintals in 1882 to an average of 150.1 million quintals in 1913, an increase in the chief *cultures fourrages* (i.e., root and forage crops) from 496.8 to 824.1 million

restoration of these industrial resources the future trend of policy in France becomes a highly interesting question.[1]

From the standpoint of the industrial imperialist France has done badly. The Britisher[2] doubts that her policies will enable her

to hold her commercial and industrial position among the nations; she is hampered by the painfully slow growth of population, the racial character of her people and the fact that they are essentially not a business people, and a widespread indifference towards colonization and foreign trade (though recent years have witnessed marked improvement in this last respect). So long as these conditions endure, Government action and tutelage can avail little.

An American view is more appreciative. Says Professor Ogg:[3]

The position of France in modern commerce is unique. In the first place, that country is so rich in agricultural resources and its people are so largely engaged in agriculture that it is much less dependent upon trade than is Germany or England. In the second place, the character of its industries determines that the country's commerce shall be very different from that of most of its great neighbours. The products which France has to export consist chiefly of silks, laces, wines, delicacies—in brief, objects of art, luxury, and fashion; while the articles which she is obliged to import comprise mainly machinery, coarser fabrics, coal, iron—products, in general, of mines and large-

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quintals, a rise from 45 million hectoliters to 53.4 hectoliters of wine, and of horses, cattle, and swine from 21.9 to 24.0 million head (*Statistique agricole annuelle*, 1916). "Finally it may be observed that in the report of the Customs Commission of the French Chamber of Deputies, which considered the proposals for tariff revision in 1908, emphasis was laid on the fact that the average annual value of the imports of food of all kinds, which was 59.5 million pounds for the eight years 1884–91, declined after the tariff of 1892 to 46 millions for the period 1892–99, and to 35.4 millions for the period 1900–7; and the committee urged that nevertheless there had been during the same period a marked decline in the average prices of all important articles of general consumption" (Ashley, *op. cit.*, p. 415). Realization on the part of the French that external protection must be balanced by internal efficiency is indicated by the remark of M. Deschanel, quoted with approval by this committee: "La solution définitive du problème agricole n'est pas dans la douane, elle est dans la science. Oui, mais la douane ouvre la porte à la science et lui permet de concourir ainsi à la cause du progrès. Elle est dans l'augmentation du rendement et le perfectionnement des méthodes. La douane, avec une protection moderée, ramène les capitaux à l'agriculture, à l'industrie, car le travail, à lui seul, ne suffit pas."

[1] Even before the outbreak of the European war, apparently, there was a feeling in France that the balance had a little too much inclined toward agriculture. At all events, the new law of 1910 left the duties on agricultural products practically as they were but made considerable advances in the case of manufactured products.

[2] Ashley, *op. cit.*, pp. 435–36.

[3] *Op. cit.*, pp. 293–94.

scale manufacture. In both Germany and England the situation is precisely the opposite. Because, therefore, of predilection for the production of "quality" goods, as well as by reason of her rigidly protectionist policy, France cannot hope to take front rank among the trading nations of the world. Her commercial position is respectable but not commanding. The volume and value of her trade are enhanced by her dealings with her extensive colonial possessions, notably Algeria; yet the cost of the colonies has outweighed the commercial advantages accruing from them. And the system of bounties on ship-building and navigation, inaugurated in 1881 with the purpose of developing the mercantile marine, yielded no result beyond keeping the French merchant fleet stationary while rival fleets were steadily advancing.

Perhaps we might go somewhat farther in praise of the shrewd French way of cutting their garment to fit their cloth, of casting up a lengthy estimate of the material and human resources at their command and of the relative values of life, and then working out a tolerably harmonious development of national well-being along these lines. May we not discern here a certain economic artistry quite of a piece with other phases of the French genius? Is not a commercial position "respectable but not commanding," and a certain "indifference toward colonization and foreign trade," a laudable contrast to the wolf-pack trade and hectic industry which has brought mixed if not dubious blessings to those countries which have fought for the industrial leadership of the world? To be "essentially not a business people" may seem a condition worthy of praise when we pause to reflect upon the essential business man as personified in certain Teuton or Japanese entrepreneurs with whom the world has become acquainted in recent years, mercifully to say nothing of a moiety of Anglo-Saxon industrial pioneers.[1]

Those haughty neighbors who could visualize the ideal of national well-being only in terms of industrial and political imperialism have been pleased to call France a decadent country. Such

[1] Since all this is a matter of ideals, of philosophy of life, of sentiment, if you please, one might perhaps better go to the pages of literature than to supposedly learned treatises for his citations. If so, one cannot do better than turn to that not less sound and trenchant than delightful volume of Dorothy Canfield's, *Home Fires in France*, to the story called "A Fair Exchange." One is almost persuaded that the American people might learn from the French people as Mr. Hale was shown a new philosophy of life and business by M. Réquine.

an estimate has been gloriously belied by her astounding powers of resistance under the titanic burdens of a world-war. The moment is opportune to contrast her present achievement with the dark fate prophesied for her a century ago.

Both Young and Malthus expressed the opinion that, as matters were going, France would become as badly overpopulated as was China. As late as 1823 McCulloch predicted that the land must certainly become, within fifty years, "the greatest pauper warren in the world" and share with Ireland the dubious honour of furnishing hewers of wood and drawers of water to other countries.[1]

VI. ENGLAND

But before considering the possible pertinence of French experience to American conditions we should set in contrast the evolving policies of England and Germany. The evolution of modern industrialism is, in the case of England, not only of the most extreme type but likewise most thoroughly indigenous to the land and people. Britain was a thoroughgoing agricultural country when, in the late feudal period, her explorers and pioneering traders opened for her the markets of the Continent, the Far East, and America. The immediate effect of this commercial expansion was to improve enormously the condition of British agriculture, to stimulate her farming industry, and to open to agriculture an era of progress which made English farming the pattern for all other countries until well into the nineteenth century.[2] Prices of agricultural products were of course high during the Napoleonic Wars, but these large nominal returns to agriculture were not converted into a solid and suitable development of the farming industry. In 1816 the Board of Agriculture reported that rural interests were "in a deplorable state." Many farmers were thrown into the pauper class, whither a large part of the farm laborers had already preceded them.

[1] Ogg, *op. cit.*, pp. 189–90.

[2] . . . . The wealth gained by the commercial progress of the day was largely put into the land, and the great revolution that now took place in English agriculture was carried on under the influence of men of wealth. A great stimulus to progress was given by the fact that the English gentlemen of the eighteenth century developed quite a passion for agriculture as a hobby. Arthur Young declares that "the farming tribe is now made up of all classes, from a duke to an apprentice. . . . ."—Gibbins, *Industry in England*, pp. 270–71.

Taxes and tithes were ruinous,[1] and inclosures were fast carrying the conditions of land tenure from bad to the worst possible state. A substantial farmer asserted at this time that "the landed interest has been, since the Corn Law of 1773, held in a state of complete vassalage to the commercial and manufacturing, and the farmers of the country in a state very little superior to that of Polish peasants."[2] Land, instead of being made the basis of an efficient agricultural development, became more and more a social perquisite of the great old families or, by purchase, a similar adornment for the parvenus of trade, who "bought land to make themselves gentlemen."

The Corn Laws were an aggravation to, rather than a remedy for, these institutional disorders, and it was only after their repeal that, owing to the Crimean War and our Civil War, English agriculture enjoyed a brief period of prosperity before its final eclipse by the flood of cheaply produced and cheaply transported food from America. In view of the relative scarcity of her agricultural resources as compared with her facilities for manufacturing and commerce, the policy of free trade was undoubtedly the expedient course for England at the moment of its adoption. Whether it would have been adopted had it been possible to foresee the full strength of the coming competition is quite another question, as is also the inquiry whether it is possible to preserve the then advantages as against the later tariff-making activities of rival nations on the Continent, in America, and elsewhere. Certainly during the good harvests and moderately supplied markets of the fifties and sixties British agriculture might by good statesmanship have been put in a thriving condition, so that in the period since 1870 it could have shifted readily to the production of dairy products, garden truck, and like wares. This shift, in view of the unparalleled home market and cheap imported feedstuffs and fertilizers, might have been accomplished had there been a national belief that the effort

[1] "The parish of Kentchurch, in Herefordshire, paid in direct taxes a greater sum than the lands of the whole parish could be let for."—Curtler, *A Short History of English Agriculture*, p. 250.

[2] *Ibid.*

toward conserving agriculture was sufficiently worth while to force the institutional readjustments necessary.[1]

Almost every turn for the worse brought a new Commission on Agriculture into consultation, but their prescriptions were either so superficial in character or were followed with so little energy that practically no relief was secured.[2] Finally, about the beginning of the present century something approaching a real agrarian sentiment made itself heard. On the one hand, Mr. Chamberlain advocated a system of preferential duties on certain agricultural products, and the Unionist party still rallies round this policy. On

[1] "Many an English farmer has gone on growing wheat for years after it was obviously a loss to him, when he might gradually have introduced some other crop. Again, he has neglected dairy farming, or only carried it on on unscientific principles, while foreigners have been scientifically perfecting their methods. He has certainly despised the smaller industries of the farm, such as poultry-rearing and egg-producing, so that our home market is now largely stocked with fowls and eggs from France, Germany, Denmark, and even Italy. Again, as a nation, we have paid too little heed to agricultural education, and though so-called 'technical instruction' is now given, it is conducted in many places in a most chaotic manner, and money is lavishly wasted with the minimum of result. Dairy schools are certainly at length being established, but not before they had become familiar to every Danish cowherd and Danish butter was ousting our own from the home market. Here, as elsewhere in our educational system, the State has neglected duties which every other great European nation has long since taken upon itself."—Gibbins, *op. cit.*, pp. 444–45. Cf. also Pratt, *The Transition in Agriculture*.

[2] "In September, 1893, a Royal Commission . . . . made a startling revelation of the extent to which owners and occupiers of land, and the land itself, had been impoverished since the report of the Duke of Richmond's commission (1879–1882). It showed that the value of produce had diminished by nearly one-half, while the cost of production had rather increased than diminished. . . . . Yet the evidence collected by the Commission established some important facts. It proved that many men, possessed of ample capital and energy, who occupied the best-equipped farms, enjoyed the greatest liberty in cropping, kept the best stock, and were able to continue high farming, had weathered the storm even on heavy land; that small occupiers employing no labour but their own had managed to pull through; that, on suitable soils, market gardening and fruit-farming had proved profitable; that, even on the derelict clays of Essex, Scottish milk-farmers had made a living. At no previous period, it may be added, in the history of farming were the advantages and disadvantages of English landownership more strongly illustrated. Many tenants renting land on encumbered estates were ruined, because their hard-pressed landlords were unable to give them financial help. At least as many were nursed through the bad times by the assistance of landowners whose wealth was derived from other sources than agricultural land."—Prothero, *English Farming Past and Present*, pp. 380–81.

the other hand, a Chamber of Agriculture and numerous associations for land reform, rural co-operative organization, and like purposes have at length demanded the attention of the public and even some action in Parliament presaging a new policy of reasonable support to agricultural industry.[1] Even before the outbreak of the war the English were coming to doubt that the mere fact that Britain was mistress of the seas entirely justified the traditional policy of neglect for agriculture,[2] and when the paucity of home-grown foods brought her so tragically near the brink of disaster in 1917 and 1918 a clamor for the rehabilitation of agriculture began which will profoundly affect the future of English farming. Even though the Corn Production Act of 1917 makes only temporary guaranties of wheat

[1] "To their efforts [the leaders of the Central Chamber of Agriculture] it is due that, in spite of the ever-increasing preponderance of the urban population and of urban influence in Parliament, the continuance of the indefensible process of throwing upon rural ratepayers and upon the least profitable of important British industries the main cost of maintaining national education, trunk roads, and other services of national character, to the exoneration of personal wealth, has been to a large extent frustrated, and Royal Commissions and successive Governments have been compelled to admit its injustice and to hold out hopes of its abandonment. It is thanks to them that British railways are not now, owing to their preferential tariffs and their unfair rates for the consignment of all British farm produce, particularly that of a perishable character, carrying overseas produce to the entire exclusion of that raised at home: that the unpractical education in rural elementary schools, which was inaugurated by the Education Act of 1870, is gradually giving way to mental equipment better adapted to the after career of their inmates: that there exists today a Board of Agriculture," etc.—Charles Bathurst, M.P., in *Fifty Years of Agricultural Politics*, Preface, pp. viii–ix.

[2] "In the course of time the nation will probably perceive that it is desirable, and that ultimately it will be profitable, to recall capital and labour back to the land which it is evident that they have left; and that it is the height of economic folly to rely, as some do, upon the extension of our manufacturing industries to counteract agricultural depression. Prosperous agriculture means for us prosperous manufactures, and from an economic point of view the interests of the plough and the loom are identical. Neither can be served by protective tinkering. Reforms of a totally different character are needed, foremost among which is a widespread reduction of rent, and a general rearrangement of the relations between landlord and tenant, together with the adoption of the best methods, both in education and in agricultural practice, of our Continental and foreign competitors. It is on the face of it ridiculous to assert that, with an unequalled demand in the home market for all he can produce, the English farmer cannot find some means of making the land pay, and pay well. But before he can do this he must spend more capital upon it than he has lately been able to afford."—Gibbins, *op. cit.*, pp. 452–53.

and oat prices, agricultural wages and rents,[1] it seems practically certain that its provisions will be extended or that other steps will be taken after its expiration to restore and maintain English agriculture in a condition commensurate with its natural resources and opportunities.[2] While present proposals are rather narrowly military in scope and animus, it seems certain that they will eventually settle down on to a basis of permanent economic justification far more satisfactory than either militaristic overdevelopment or mercantilistic neglect.

The present attitude of English thought on the subject is perhaps best summed up by a recent utterance of Mr. A. D. Hall,[3] dean of English agriculturists:

> 1. In the interests of the nation as a whole it is necessary to grow at home a larger proportion of the food we consume: (*a*) as a national insurance in time of war; (*b*) to develop our internal resources and reduce our foreign indebtedness, a matter which becomes of greatest moment in war time; (*c*) to increase the agricultural population as a specially valuable element in the community.
>
> 2. These objects can only be attained if more land is put under the plough. Land under arable cultivation produces nearly three times as much food as when under grass, and employs ten times as many men.
>
> 3. Some action by the State is necessary in order to secure any considerable ploughing up of grass. . . . .
>
> 4. (Five methods suggested).
>
> 5. If the arable land was increased to the area it occupied in 1872, by about 4 million acres, and chiefly devoted to wheat, the amount of wheat grown in the country would be raised to about 59 per cent of our total requirements, and at the same time our production of cattle food would be increased rather than diminished. . . . .

[1] For its provision, see *Corn Production Act, 1917, with Explanatory Memorandum*, pp. 11, 17–19, chaps. III and IV (published by The Land Union).

[2] The report of the Agricultural Policy Sub-committee of the Reconstruction Committee (1918) recommends not only the continuance of price, wage, and rent guaranties but also a considerable range of state activities in the interest of agriculture and, in case tariffs are imposed on manufactured goods, "then a tariff corresponding in degree (with the necessary differentiations between the products of the empire, of allied, and of other countries) should be imposed on imported foodstuffs such as dairy product, meat, and corn, and that special consideration should be shown to the produce of the more intensive forms of agriculture."—*International Review of Agricultural Economics*, 1918, No. 7, p. 606.

[3] *Agriculture after the War*, pp. 128–30.

6. The commercial success of any scheme for the extension of the arable area must ultimately depend upon the prices that rule for agricultural produce, i.e., upon the intensity of foreign competition. If the State decides that such an increase is necessary in the interests of the national security, it may be driven to adopt some system of bounties or protective duties in order to keep the returns to the farmer up to such a level as will allow of agricultural development. . . . .

7. The problems of finding employment and attracting men to the land that will press at the close of the war can be met, in the first place, by giving a bounty on arable farming by guaranteeing either a minimum price for wheat or an annual payment for each additional acre put under the plough. . . . .

I may finally be allowed to urge that these proposals are not put forward in the interests of the agricultural classes as such, nor in those of any particular party within the nation. It is no part of my purpose to push the claims of an agrarian party pursuing its own ends under the cloak of the national welfare. I doubt if such a party has ever existed in this country, however much individuals may have been clamorous for the protection of their own interests and have deceived themselves into thinking that their own well-being was identical with the general good. But the countryman has always had a case when he has fought against the neglect of agriculture during the last sixty years or so, and his main thesis has been true that a country is weakened by allowing its rural population to decay and by becoming parasitic upon other countries for food. The extent and dangers of this weakening is only now being revealed to us by war.[1]

VII. GERMANY

The course of development in Germany has been markedly in contrast with that of England. The group of states which in the process of time coalesced into the late German Empire emerged upon the modern stage predominantly agricultural in organization and interest, though not a little tinged, in the western part, with a commercial tradition old as the Hanseatic League. This section carried on during the earlier part of the nineteenth century a moderate volume of trade in raw materials and manufactures, the latter

[1] Likewise Premier Lloyd George in his plans for building up a "systematic well-ordered country" lays special stress upon the restoration of agriculture. One of the revelations of the war, he says, was "the enormous waste of the resources of our land. We import hundreds of millions of our supplies from abroad. I do not mean to say that we can grow them all, but we can grow a very much larger proportion of our supplies than we have done in past years. Take food. You can grow vast quantities of food in this country for which you have been dependent on foreign imports, but you want a much more intelligent policy than that. The land must be cultivated to its full capacity. That ought to be an essential feature in the new Britain. A systematic effort must be made to bring a population back to the land."

mostly of the handicraft sort. Prussia and others of the eastern provinces were considerable exporters of agricultural products, chiefly grain, up until the seventies, when American competition in the foreign market and the increase of home consumption resulting from the growth of industrialism turned the tide. From that time on Germany has been grappling with the problem of what adjustment of the relationships between agriculture and industry would best serve the larger welfare of the country as a whole. In attempting to meet this problem she developed a vigorous and comprehensive policy of state action as a means of keeping the various economic interests in proper balance.

The nationalistic ideal had been vigorously put forward by Friedrich List in 1841 in his *System of National Economy* (the book, however, having been preceded by several years of public agitation). His philosophy, though warmly received in some quarters, made but uncertain progress for nearly forty years. Nevertheless it was being strengthened by all those forces and circumstances which culminated in the establishment of the Empire, and this event, together with the economic conditions of the latter part of the century, caused it to become the predominating German doctrine. List's argument was directed primarily toward tariff protection as a means of enabling German manufactures to establish themselves in face of the competition of England's already flourishing industries. Speaking at the time he did it is only natural that his argument should run in terms of helping the nation to pass from the relatively primitive agricultural stage of economic development to the higher stage in which a considerable industrial structure is reared upon the agricultural foundation.[1]

By a curious inconsistency List had taken the position that protection should never be granted to agriculture, since its geographical distribution is regulated by a natural order with which protection would interfere, and since any enhancement in prices of food and raw materials would be harmful to industry. In view of the decidedly pragmatic character of his whole system this discrepancy

[1] "A purely agricultural nation is like an individual who, wanting an *arm*, employs the arm of another, the use of which, however, he is not always sure of obtaining; a nation, both agricultural and manufacturing, is like an individual in full possession and use of his own *two* arms."—List, *National System of Political Economy* (transl. by Matile), p. 268.

was perhaps not so great in a day when transportation costs were high and modern scientific agriculture unknown. M. Rist suggests that this part of List's argument was not so much designed for home consumption as for use in England, whose Corn Laws were interfering with German export trade.[1] Likewise M. Henri Richelot, in a note to the French translation, asserts that List's position on this matter was not so uncompromising as might at first appear. He says:

> I have seen a production of List published in 1846, in which he remarks at some length upon my book *Association Douaniere Allemande*. In reply to the reproach which I had addressed to him of denying protection to agriculture, he says that he allows to this general rule exceptions which he had not specified in his *National Economy*.

Probably had List lived to see the time when German agriculture was seriously threatened by foreign competition[2] he would have advocated such aid as would safeguard it, and in so doing would have employed quite the same arguments as those which he advanced in the case of industry. At all events, his general line of argument was by others adapted to this need, and Bismarck himself took a consistently friendly stand with reference to the agrarian interests. From 1879 to 1888 there were substantial advances in the amount of tariff protection accorded to grain and other farm products.[3]

[1] See Gide and Rist, *History of Economic Doctrines*, p. 276.

[2] "With the development of means of transport and especially the growth of the American railways, the Russian and even American competition in the supply of grain to the European markets was beginning to be severely felt; the German landowners were not only ceasing to be exporters, but were severely threatened even in the home market. Further, the movement of population to the towns had commenced in Germany, and the more attractive conditions offered by industrial employment were beginning to deprive the landowners of their labourers. They had ceased to have any further direct interest in the promotion of Free Trade; in fact, they were themselves beginning to desire some measure of protection. And even some of those observers who believed that it would be a mistake to attempt to shut out the foreign and cheaper supplies of foodstuffs, were yet, like Conrad, willing to establish a moderate amount of protection for grain, by a scale of duties limited in duration and gradually diminishing, to enable the agriculturists to transfer their attention to other branches of production."—Ashley, *op. cit.*, pp. 56–57.

[3] "Bismark was profoundly convinced that any measure passed for the benefit of agriculture was bound to promote the well-being of the entire nation concurrently, and he must not be accused of insincerity when he uttered words like the following: 'Whenever I have come forward on behalf of landed property it has not been in the interest of the proprietors of my own class, but because I see in the decline of agriculture one of the greatest dangers to our permanence as a State.'"—Dawson, *The Evolution of Modern Germany*, p. 239.

From this time on, the conflict between agricultural and manufacturing factions became keen and often bitter. The eclipse of Bismarck and the coming of Count Caprivi, together with extremely low grain prices abroad, carried the battle during the early nineties for the time being against the German farming interests. Industrial growth was rapid, and a strong and numerous party desired to follow the pattern of England and press these industrial benefits to the limit, exchanging its product for the cheapest food that could be found in the markets of the world, and letting German agriculture stand or fall as it might. But against these advocates of an *Industriestaat* stood a resolute rank of those who asserted that, in spite of the brilliant growth of manufactures and its accompanying trade, a country in Germany's situation was and must remain essentially an *Agrarstaat*, that the prosperity of the rural half of its population (53 per cent in 1890) was under no circumstances to be sacrificed to the profit lust of the industrial cities, nor they in turn to be allowed to jeopardize their own ultimate interests and safety by allowing the nearby sources of food and raw materials to fall into neglect. The agrarian party, alert, even rampant, in spite of its narrowness and excesses can claim a large measure of provocation in the sleepless mercantilism which it has had to combat on the part of the trading and manufacturing groups. To its colors it has drawn not a few of the leading economists of Germany,[1]

[1] Of these, Professor Wagner has been the most extreme, though by no means going to the lengths which characterize the blindly partisan Junker group, who demand the "German market for the German farmer." Professor Wagner states his position as follows: "Not because we agrarians are reactionaries as we have so often been charged with being, but because we believe that this development into an industrial state, though not something absolutely wrong, has in its latest phase developed somewhat too quickly and beyond measure, and that its reaction on all sides of the life of the people is somewhat dubious, and its existence, continuance, and its full progress in the same direction cannot be secured forever. . . . . From this standpoint we represent 'agricultural' demands not in the interests of the food speculator nor of the landowner and farmer, be he small, moderate, or large farmer, the 'Junker' or possessor of manorial estates, but because we see in the maintenance of an absolutely and relatively important domestic landowning and operating population in the country preserved in an economically productive condition, an absolute prerequisite to the welfare and the lasting economic and social, ethical, cultural, and political safety of the entire nation" (*Agrar-und Industriestaat*, pp. 23, 25).

Schmoller, consistent with his prominent position in the historical school, has considered tariff proposals or other state policies upon their individual merits, from the standpoint of national welfare rather than on grounds of general theory, and is to be classed as a moderate agrarian. Cf. his *Mercantile System and Its Historical Significance.*

and the net result of its labors has caused more than one English writer to animadvert sadly upon the superiority of German over British conditions.[1]

In considering this agricultural-industrial policy of Germany, two further points should constantly be borne in mind. In the first place, tariff protection (and the analogous bounties and preferential transportation rates within the country) have not been the single means relied upon for the strengthening of agriculture. On the contrary, a whole series of measures calculated to enable the farming industry, through advancing efficiency, to produce at the same time cheap products for the German market and satisfactory returns for itself has been put in force. Toward this end, not only have the resources of science and invention been drafted to the aid of agriculture, but even more notable have been the

[1] "There may be a difference of opinion as to how far the Imperial Government has succeeded in holding the scales evenly between the rival forces which are competing for the economic future of Germany, yet no one questions the wisdom and necessity of its endeavor to maintain agriculture in a prosperous condition and to protect it as far as possible against rapid changes to which it could not accommodate itself. For Germany has never neglected the vital interests of the soil, and its peasantry can still make the proud boast that it is one of the soundest bulwarks of the national prosperity and stability. While in the United Kingdom the number of persons engaged in agriculture declined between 1881 and 1901 from 711 to 495 per 10,000 of the total population, the decline in Germany between 1882 and 1895 was only from 1,783 to 1,554 per 10,000; the decline in the first case was 30 per cent, in the second it was 13 per cent" (Dawson, *op. cit.*, pp. 226–27).

"The moderate protective tariff on all agricultural products which has prevailed in Germany has been a great blessing to Germany's agriculture, and it has done no harm to her manufacturing industries, which have marvelously developed at the same time. . . . . The wholesale prices of wheat are higher in Germany than they are in Great Britain, but it does by no means follow that the retail prices of food in general, which alone are of importance to the consumer, are also higher in that country. . . . . In the biggest towns of Great Britain, and at the seaports where foreign agricultural products arrive in huge quantities and have to be sold quickly, food is cheap, and is often cheaper than it is in the country. In Germany, on the other hand, where duties on imported food are levied on arrival at the harbours, food is much cheaper in the country districts where it is raised. . . . . That agricultural products are cheaper in London than they are in the country is most unnatural and unfortunate. This artificial cheapness is an additional cause of the ruin of our agriculture. If we look at wholesale prices, food is so cheap in Great Britain that agriculture, which in selling its produce receives only the wholesale price, cannot be carried on with a profit; but if we look at the retail prices, we find the same products to be so dear, owing to the exactions of the middleman, that this country compares unfavorably with Germany with regard to the price of food. . . . . "

"Our agriculture still suffers, not only from the exactions of the go-between, but also from outrageously high transportation charges. In Germany agricultural produce has to travel enormous distances by rail, and it can be carried cheaply. In Great Britain, where, owing to the size and happy configuration of the country, agricultural

institutional adjustments, especially in the field of rural credits, insurance, marketing, and co-operative organizations.

In the second place, agricultural policy, like everything else in Germany during the past generation, has been strongly tinged by foresighted motives of military expediency. Germany has not followed a course directed merely toward current economic prosperity, but one which would be likely to assure national safety in time of war. To be sure, the country has not been, for forty years past, actually self-sufficing in the matter of food supplies (contrary to the wishes of the more rabid of the agrarians), but it has been intended that she should be kept in a position to produce at least the minimum of necessities in case the country were some day faced by a military blockade.[1]

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products need travel only trifling distances, railway carriage, even in bulk, is so dear as often to make it prohibitive to foreigners. Our railways are even allowed to exact far more from the reduced British farmer than the charge to the State-protected and prosperous foreign agriculture. . . . . Thus foreign producers receive a greater bounty from the British railway companies in the shape of preferential railway rates than they receive from their own Governments in the shape of fiscal protection. . . . . In this country which, after Belgium, possesses the densest railway net in the world, droves of cattle and flocks of sheep may be seen walking from Scotland to London, whilst in Germany cattle transport by road is almost unknown."—Barker, *Modern Germany, Her Political and Economic Problems*, pp. 522–25.

[1] The writer feels that he cannot do better than repeat here a quotation which he has used elsewhere already, to illustrate the economist's use of the military argument as far back as the nineties.

"Under normal circumstances the domestic agricultural production of a nation should certainly provide for the needs of the resident population as to necessary products of the soil, especially as to the indispensable foodstuffs. Otherwise the country falls into a position of greater or less dependence upon other states, which are in a position to produce more human subsistence than is needed within their own domains. This dependence is especially precarious in time of war and for such lands as, like the German Empire, are bounded on nearly all sides by other countries, and have a very limited access to the open sea. In a war with Russia, France, England, or several of these countries together, the adequate maintenance of the home population might be seriously endangered. To be sure, this danger is somewhat lessened by a strong fleet, such as we hope to have in our possession in the course of a few years, but yet is by no means entirely removed. It remains, at any rate, an especially vital problem for German agriculture to strive to provide its domestic needs of indispensable means of subsistence, and particularly its breadstuffs. Out of regard for its own existence, even, the government is compelled, so far as lies within its power, to assist agriculture in the solution of this problem."—Goltz, *Vorlesungen über Agrarwesen und Agrarpolitik*, p. 11.

In general it may be said that Germany's policy of interjecting state activity as a means of holding the balance even between agriculture and industry has met with a large measure of success. Rural interests have been enabled to pass through a most trying and dangerous period without too great discomfort and with a marked improvement in efficiency. At the same time this enforced support of agriculture has not prejudiced the prosperity of non-agricultural interests under peace conditions and has contributed enormously to the strength of the nation under stress of war. It is not likely that any section of intelligent public opinion in Germany doubts the wisdom of their course or would advocate an essentially different line of effort in the future.[1]

EDWIN G. NOURSE

AMES, IOWA

[1] "No serious politicians suggest that a mere policy of *laissez faire* can ever again be followed in regard to an industry so closely related to the feeding of the people. Even some of the more responsible Socialist leaders repudiate the idea that Protection could be summarily abandoned, and avow their readiness to make any reasonable sacrifice for the sake of the genuine cultivators of the soil. In brief, in their attitude toward agrarian remedies, parties are no longer divided on the question of principle, but on that of measure and degree. From the political standpoint alone it is held that Germany's dependence upon foreign food supplies is a danger which no responsible statesman ought to contemplate. However lamentable it may be that agriculture has been allowed to decay in the United Kingdom, our nation's food is at any rate secured by the existence of a navy powerful enough to keep clear the trade routes of the seas. Germany possesses no such security, and in its absence the maintenance of the national granary, the corn lands of the North and East, in as abundant and efficient a condition as possible, must be a primary object of domestic policy. Of this Count von Caprivi himself, though the first responsible statesman to recognise the advent of the industrial era and the urgent need of cheaper food for the labouring class, was no less sensible than the extremest Protectionist."—Dawson, *op. cit.*, p. 248.

[*To be continued*]

NOTES

THE DEVELOPMENT OF OUR MERCHANT MARINE

What to do with the ships that the necessities of war have placed in our hands, how to find profitable employment for them, how to further our foreign commerce through the establishment of new trade routes, and how to maintain in fair vigor the shipbuilding industry, developed at so large a cost to the nation, are questions appealing to the highest statesmanship, questions that merit the widest consideration and the fullest discussion.

It is hardly necessary to mention the importance of encouraging exports of raw and finished materials so that payment for the use of foreign capital, payment for foreign products imported into the United States and for foreign services, may be made in American products rather than in American gold; and merchants and manufacturers everywhere recognize the advantages of broadening the market for American products. In spite of this, however, I often wonder whether we are keenly alive to the pressing importance of our overseas transportation system as one of the vital factors in meeting international competition. Those engaged in the export business have complained for years that our foreign trade lacked the stimulus of American ships, that foreign competitors controlling more or less directly their own lines had the advantage of fast and regular service, while America had to depend on slow and uncertain sailings, had to suffer from discrimination in freight charges, and placed its business secrets as to the nature of the consignment and the name and address of the consignee into the hands of foreign shipowners for possible betrayal to foreign competitors.

The use of a large merchant fleet for the transportation of our foreign commerce is secondary to its use as an important arm of the national defense. A large merchant fleet, if we will keep in mind the lesson taught by the war, and the obligations we expect to assume in the peace pact, is absolutely essential to our national safety, and this need should be pointed out to those members of the new Congress who seem to feel that economy in expenditure is the only consideration that should weigh.

Every possible effort should, of course, be made to limit expenditures, so that the heavy burden of taxes on our industries and our commerce

may be reduced, but this limitation should not go so far as to jeopardize the national safety or to sacrifice work already well under way. The control of future ship construction and the determination of a suitable plan for the establishment, operation, and development of an American Merchant Marine rest, after all, in the hands of Congress, and the Shipping Board can but act as advisors.

The present activities of the Board are therefore concentrated on an analysis of conditions that affect American ship operation as compared with foreign operation, a survey of the possibilities of American foreign trade, and a determination of the character of vessels that would best meet the needs of that trade. Mr. Hurley, in order to insure fairly full employment of the Fleet, has very wisely laid down the rule that the Fleet should not be larger than is necessary to take care of 50 per cent of our water-borne exports. In June, 1915, our Merchant Fleet engaged in the carriage of our foreign business aggregated 1,330,000 gross tons, or approximately 2,000,000 tons dead weight, and carried about 11 per cent of our water-borne exports and about 18 per cent of our water-borne imports. With the growth of foreign business which is bound to result from the elimination of Germany as a competitor and the greatly improved financial condition of the country, it seems as if under the Shipping Board's rule we could employ a Fleet of at least 12,000,000 dead weight tons in our foreign commerce.

The total net program of the Emergency Fleet Corporation can, with the sale of some of its smaller vessels and the substitution of larger and faster vessels for those of slower speed not yet too far advanced, be brought within the compass of this figure and will then constitute as fairly balanced a fleet of cargo carriers as any of its competitors. It is true that these vessels will represent very high costs as compared with the pre-war costs of bottoms, but it is also highly probable that future costs in many years to come will not even approach pre-war figures.

From information at our command it appears that if the cost of constructing the entire steel tonnage of the Emergency Fleet Corporation program was not more than sixty dollars per dead weight ton in excess of the present cost of constructing vessels of a similar type in English yards, and inasmuch as our tonnage will all be delivered within twelve months and will therefore be available long before the other maritime nations can replace the tonnage destroyed by the submarine, it is not unlikely that the higher freight rates that will continue for some time will repay, in part at least, the excess of our costs over those of the future.

I am very certain that if we have to charge off any part of the cost of our ships to bring them down to current prices for tonnage the amount will not be nearly as large as is generally supposed. The wood ship was a purely emergency vessel, and while it is hoped that the vessels thus far completed will find a limited market, there can be no hope for any considerable salvage. But even the wood ships proved of service in the war, and the loss on this part of the program was a legitimate and justifiable war expenditure.

If we grant that to serve the needs of national safety and the needs of our foreign commerce it is essential to have an American Merchant Marine of some size, then we are confronted with the problem of converting the Fleet which the necessities of war placed into our hands into a profitable and successful American Merchant Marine. That is no easy task, for the Shipping Board is much in the position of the corporation which constructed a huge plant for the manufacture of ordnance and now has on its hands buildings and equipment designed for a special purpose that must be altered to suit some new line of effort. The Fleet was created purely for the emergency; there was neither time nor opportunity to study our post-war needs and frame our program to suit them. Every ship of every character that our yards could produce was ordered, except that owing to the inexperience of the men and the managements the Fleet Corporation confined itself largely to the simplex types of cargo carriers. Modifications of some magnitude have been made since the armistice reduced the pressure on the yards, and a further balancing can be effected by substitutions of more desirable types, a step that has been for some time in contemplation. We can count, therefore, on a fairly well-balanced Fleet, and it is necessary for us to determine what to do with it.

Mr. Hurley met this situation two months ago by submitting a plan which involves private ownership, private operation, and the creation of a fund for the development of new lines—three sound and essential principles. The plan was submitted to provoke discussion and invite suggestion, and it is in that spirit that we can consider it. I may as well confess at the beginning that if I ever had even embryonic leanings toward government ownership or operation I am completely and permanently cured. I subscribe, therefore, heartily to Mr. Hurley's private-ownership and private-operation principles. But I am not certain that immediate sale can be effected, for the prompt disposition of the entire Fleet can be made only at ruinous sacrifices. And the

Fleet should be disposed of *in toto*, for unless that is done private shippers will buy the cream of the Fleet and the government will be left to operate an ill-assorted and unprofitable remainder.

Even if the Fleet is entirely sold, it will have to be sold, in part at least, to men lacking in shipping and perhaps in business experience; for the Fleet we propose to sell is six times the size of the Fleet owned and operated by private capital in 1915; and as the sale must in substantially every case be made on time payments it is inevitable that many of the vessels will drift back into the hands of the government through the failure of the purchasers. We shall in this respect but reproduce the situation in the shipbuilding industry, unless we profit by the experience of the Emergency Fleet Corporation; for it is truly astonishing how many men are willing to assume unknown business risks with the other man's money. The sudden injection into the business of ship operation of men inexperienced in its opportunities, its processes, and its risks is bound to result in unwise and destructive cutting of rates among our own shippers, a contingency that may, in large measure, prevent the establishment of a really effective American Merchant Marine. For an American Merchant Marine can exist only if it successfully meets the competition of foreign fleets, and it can never do this in its earlier existence unless it meets foreign competition as a unit under more or less centralized direction and without the losses resulting from unwise competition within itself. I feel, therefore, that, while Mr. Hurley's plan should be the ultimate goal of our efforts, private ownership and private operation will have to be preceded by a period of government ownership and private operation under government direction until the needs of our foreign commerce have been established and the experience and fitness of charterers to own and operate vessels have been demonstrated. New lines helpful to our commerce can be opened up during this period by paying competent operators a fee for their services and giving them a substantial interest in the profits until the advances by the government have been repaid.

It is probable that all of this development expense can be paid out of operating income, just as the establishment of new lines in any business is paid for out of the proceeds of the old.

Much apprehension is felt that the provisions of the Seaman's Bill may place a prohibitive handicap on ship operation under the American flag, but Mr. John H. Rosseter, the capable and experienced

Director of Operations of the Shipping Board, contends that this handicap is so slight that American ingenuity can readily overcome it. Mr. Rosseter is much more concerned with the first cost of ships and feels certain that if the American shipyards will build as economically as foreign yards there need be no fear as to the future of the American Merchant Marine.

We cannot quickly convert the Fleet we have on our hands into a really effective Merchant Marine unless the nation is willing to pay the price. We cannot shift the burden of finding profitable employment for so large a Fleet onto inexperienced private shoulders, for in the end the nation will pay the loss and will suffer from the delay, just as it did in the shipyards.

The problem is vastly different from that usually attendant on the development of a business, because there experience grows with the demands upon it; but in this case we have all the facilities for a huge transportation business, and we lack the experience to make all these facilities immediately available. Shall we therefore use only those vessels which our experience can profitably handle, or shall the government, through temporary retention of title and proper stimulus and encouragement, bring all the vessels into prompt use and then dispose of them in a wider and better market? The total money loss will, I am convinced, be less if we follow this plan, and our foreign trade will be quickened and encouraged.

CHARLES PIEZ

THE LINK-BELT COMPANY, CHICAGO

THE EMPLOYMENT SITUATION

The summary of the employment situation for the past month shows a gradual decrease in the numbers employed; at the same time that about 80,000 men a week are being demobilized. (A possible 20,000 of these may be estimated as returning to the cities reporting.) Between May 3 and May 10, in a group of 2,613 firms representing 58 cities, the actual net decrease of employees was 9,056 (9,218 employees were laid off in Cincinnati alone, most of them in the iron and steel industries).

The tabular summary indicates the general trend of affairs, less sharply perhaps, except as regards the number of cities with acute industrial problems:

Week Ending	Number of Cities Reporting	Number Concerns Reporting	Number of Employees on Pay-Roll	Number Cities Showing		Percentage Showing Surplus	Number of Cities Showing Industrial Relations as	
				Surplus	Shortage		Unsettled	Acute
April 26...	76	4,159	1,726,406	38	9	50.0	8	5
May 3...	83	4,610	2,035,505	42	12	50.6	4	16
May 10...	89	4,855	2,205,884	41	15	46.0	6	24
May 17...	90	5,238	3,288,111	39	17	93.3	6	21
May 24...	101	5,763	2,841,135	46	19	45.5	6	20

The estimate of actual surplus jumps from 132,380 on May 3, to 310,865 on May 10. This change, to be sure, is practically all accounted for by the fact that New York for the first time on May 10 sent in an estimate—125,000 to 200,000—of the surplus which it has been carrying for some time. Nevertheless, an occurrence of this sort serves to illustrate how very little the actual figures may tell about the situation beyond the obvious fact that conditions are certainly not very hopeful.

In this connection it appears necessary, in view of the extent to which these data are being quoted, to point out a few of the ways in which the figures of the *Weekly Reports* are definitely misleading. In its comparative summary by weeks a column headed "Estimated Surplus" is run parallel with the total number of cities showing surplus, as if every city had reported its surplus completely, whereas in reality there are always a number, often of the more important cities, that make no attempt at such an estimate. While this may not conceal the long-run tendency, it certainly serves to minimize the surplus of any one week. Beginning with the issue of May 3 another confusing practice occurs in the reprinting of figures from the week before of actual numbers on the pay-rolls without reprinting also the number of firms reporting, and with only a footnote to call attention to the fact that the number of firms has changed. Thus the reports for Chicago appear on the three successive dates indicated as follows:

Weekly Report of	No. of Concerns	Number of Men on Pay-roll at Beginning of	
		Current Week	Previous Week
April 26.....	344	265,348	.....
May 3.....	288	222,229	265,348
May 10.....	357	277,911	222,229

Only by referring back to previous reports can one get any idea of what has actually happened, and even then one is assailed by doubts as to whether the 357 of March 10 include all of the 288 of May 3 or represent a conspicuously different group. The practice, commented upon before in this review, of publishing pay-roll figures from a constantly changing group of firms, however, is gradually being eliminated. The comparative summary by industries in the issues of May 3 and May 10 has wisely based its figures on what appear to be the same firms. Still, the comparison between April 19 and April 26 is based on 2,313 concerns while that between April 26 and May 3 is based on 2,778 concerns. It is greatly to be hoped that the Employment Service will be able ultimately to construct its tables in such a way that comparisons for longer stretches than a week may be possible. It is to be expected of course that any new statistical undertaking will require some time in which to adjust itself to its problems; and the period of experimentation in unemployment figures is yet by no means past.

A valuable new addition to the statistical section of the *Weekly Reports* is the table showing number and percentages of army demobilization by districts.

As yet the most valuable section of the *Reports* is Part III, a "Digest of Trade Papers by Industry Groups." The information given here is naturally scattered and of varying degrees of importance, but the section as a whole succeeds in building up a background of significant facts and typical business attitudes. For example, one learns (May 10) that flour mills are running at 70 per cent capacity, a decline over the week before; that this year's wheat crop promises to be 12,229,000 acres larger than was harvested last year; that the textile industry is still acutely unsettled on account of labor difficulties; that pig iron production is now the lowest it has been since May, 1915; that "steel plants are operating at about 50 per cent of the normal capacity but orders coming in do not represent more than 25 or 30 per cent of the capacity"; that lumber continues in active demand; that leather prices are advancing; that building took a surge forward in April; that Norway, France, and Italy are in the market for ships; and that in the reports from mining cities every week "there seems to be the feeling that the next week will see business picking up, but the next week sees business as dull as ever." It is difficult of course to form mature judgments upon even as wide a variety of items as the *Weekly Reports* are assembling, but there is actually in them a mine of information, and they afford probably a better general picture of the current industrial nad labor situation than is to be found anywhere else.

WASHINGTON NOTES

END OF GOVERNMENT PRICE-FIXING

After negotiations extending over a period of about two months with representatives of some of the principal trades of the country the government of the United States has at last definitely decided to abandon the effort to fix prices under a peace régime. The effort to bring about such a price-fixing policy had been initiated early in March through the organization of a so-called Industrial Board under the auspices of the Department of Commerce and with the consent and approval of the President. The purpose of this Industrial Board was to bring about adjustments between the government and the chief trade factors, whereby the latter would agree to establish fixed schedules of prices for their basic articles of commerce, instead of competing with one another in the effort to get business by cutting prices. The consequence of this policy would have been the substitution of trade agreements with qualified government approval for competitive conditions.

During April it appeared that some of the more important government bureaus, conspicuously the Railroad Administration, now the largest buyer of steel in the country, were disinclined to abide by the policies which had been developed under the auspices of the Industrial Board, but insisted upon obtaining their products, especially coal and steel, as cheaply as market conditions would allow. Under these circumstances it was unreasonable to expect consumers the country over to be guided by the schedules of prices which had been established through negotiations with the Industrial Board, notwithstanding that the government itself, which on the one hand was promoting these schedules, was on the other refusing to buy under them. The final result of the discussion was reached at a conference between steel producers and government representatives on May 8, at which it was agreed to abandon the further effort to get a standard schedule of prices, while almost simultaneously with this announcement the Director of Railroads made known that he had determined to place an order for 400,000 tons of rails upon a competitive price to be established through bids to be submitted by the principal producers. This, in effect, terminates the policy of government price-fixing and makes it plain that the readjustment of industry which is now expected to occur must continue as best it can, as the result of the efforts of individuals and without government sanction for any policy of suppressing competition. On May 9 it was unofficially announced at Washington that the policy of price-fixing had

been substantially abandoned throughout all lines, and that henceforward the competitive condition would be expected to supervene. This leaves open the question how far it will be possible to continue the standardized rates of wages which have been practically enforced by the government during the period of war, acting as the administration has through the agency of the National War Labor Board and regulating wages upon a basis supposedly corresponding to costs of living. Producers and manufacturers cannot continue to pay existing wages if prices fall, and if they are unable to reduce other costs of production to make up for them. The question thus becomes urgent whether labor will not find itself obliged to share in the readjustment process whose purpose it is to bring about a resumption of normal business and at least a gradual reduction of prices toward their old, or pre-war, level.

RESTORATION OF FREE MOVEMENT OF SILVER

The Federal Reserve Board on May 5 gave official notice that it had terminated the restrictions heretofore existing on the movement of silver and would henceforward grant without limitation all applications for the shipment of silver that might be presented to it. Simultaneously therewith it was announced that the Treasury Department would no longer continue to supply silver to private individuals under the Pittman Act, and that consequently the fixed or pegged price at $1.01½ per ounce had been removed. The immediate consequence of this action was to bring about an increase in the price of silver in the market to a figure of about $1.15½ per ounce within a few days after the withdrawal of government control. A large increase in the number of applications for permission to export silver has also been a natural consequence of the change of policy. This change of policy, however, must be regarded as constituting really another step toward the establishment of free trade in goods and in money metals throughout the world. It renders possible the use of silver in the making of shipments to South America and the Orient with a freedom corresponding to that which existed prior to the attempt to regulate Indian exchange early in 1918, and the accompanying effort to restrict trade with the Orient to something approximating what was considered a basis of "essential" commodities. Commercial demand now centers around the removal of the embargo on gold, it being the view of most persons that, were this embargo to be lifted, the United States could not possibly lose any considerable amount of gold, although small sums might possibly be exported to Japan and Spain. The general movement of gold, if any such occurred, would be rather in the direction of the

United States, and the harm to follow would be that of an increasing amount of inflation in this country with a tendency of prices to move upward. That this result would be undesirable is admitted, but it would be the exact reverse of the considerations which have controlled in the establishment of the gold restriction or embargo policy, copied as this was from Great Britain. Up to date the total amount of silver which has been removed from behind the silver certificates in order to provide a fund for exportation, subject to the restrictions and limitations of the Federal Reserve Board, has been approximately $200,000,000, while the amount of Federal Reserve bank notes which have been issued to take the place of these retired silver certificates has been $159,000,000. The net result of the interference with the movement of silver which has come about under the Pittman Act has accordingly been that of restoring the bond-secured element in our currency, not simply to its former level, but to very much higher figures than heretofore, although it is true that the new bond-secured notes are protected by better conditions of redemption than the old bond-secured notes of the pre-war régime. A survey of the silver policy of the United States during the war, however, can result only in a critical attitude, since it must appear that the net outcome of the regulations that were adopted and put into force has been decidedly injurious rather than helpful to business, while these restrictions, which would not have been called for had it not been for the embargo on gold, have proved to be very disturbing and injurious to both business and banking conditions, as well as a serious cause of unsettlement in foreign-exchange relationships.

ABOLITION OF THE "BLACK LIST"

According to official announcement made on April 28 by the War Trade Board at Washington the official black list was abandoned, while simultaneously therewith practically all specific restrictions upon the importation and exportation of goods calling for the issuance of licenses were revoked. This step followed the general action which had preceded it on the part of the Economic Council of the Allied Governments at Paris, in which such a policy had been recommended for the various nations. The effect in the case of the United States has been to relax, and in many cases almost to eliminate, the restrictions which had been placed upon the international movement of goods, while the abolition of the black list has naturally brought to a close the system of espionage and interception of mail and telegraphic and cable messages which had been constituted for the purpose of ascertaining the details of the financial

dealings of all persons possessing foreign connections. How far this system of espionage and interference extended is recognized only by comparatively few persons, the interruptions of business which have occurred under it being frequently attributed to military interference or to mechanical or technical difficulty with telegraphic or cable systems. The real truth of the situation is that this kind of interference has been carried to an extremely advanced point, and that its abolition at this time will inevitably result in putting business on an entirely new and better basis than it could otherwise possibly attain.

These steps were natural precursors of the announcement of the terms of the peace treaty which were made public on May 8. From the economic standpoint there is little in the terms of the peace treaty which had not been fairly well known or anticipated, and hardly anything which has a direct and immediate bearing upon economic questions. The peace treaty itself, however, when ratified will mean the reopening of world-business upon a normal basis and the resumption of commerce for the purpose of restoring the devastated areas of both France and Belgium and the idle or disorganized industrial areas of the Central Powers, which for lack of raw materials of production have been unable to engage in real productive work for some time past. In abolishing the black list and removing the restrictions on importations the war authorities merely took measures which would in any event be rendered necessary as a result of the peace treaty. Pending the signing of the peace treaty the limitations on the trade with the Central Powers of course continue technically in effect, although their relaxation with respect to neutral countries enables the Central Powers to obtain some supplies through these neutral markets just as they did during the early days of the war. The fact that that portion of Russia under the control of the Bolsheviki is also to be subject to trade restrictions, pending further announcement, indicates a disposition to subject Russia to a kind of economic isolation, but it is not of very great importance as long as no positive system of limitations is applied to trade with the neutral countries which are direct neighbors of Russia. President Wilson's action in summoning Congress on May 19 points the way of course to immediate action upon the treaty with the Central Powers, although how long a time will be required to bring about actual ratification remains to be determined and will be the outcome of a good many factors. It is, however, now seen to be entirely possible to obtain some final settlement of this whole matter by July 1, and that date is accordingly taken by many as the time (approximately at least) at which normal trade relations the world over will be restored.

CLOSE OF VICTORY LOAN

The fifth or Victory loan, which closed on May 10, brought in a total estimated subscription of between five and six billions of dollars, the offering having originally been set at $4,500,000,000. It had been announced in the first place that no over-subscriptions would be accepted, the point of view of the Department evidently being that heavy over-subscriptions during the fourth loan had resulted in the throwing of quantities of bonds upon the market, with the result of depreciation of values accompanied by other disturbances to financial conditions. This would in any case have prevented the acceptance of actual over-subscriptions, but it has been evident from the opening of the fifth loan that the public enthusiasm with regard to this form of borrowing was at a low ebb, and that it was desired by the community at large to be relieved of further appeals as far as practicable. This point of view is made evident by the fact that of the total which has been actually taken a very considerable percentage has been subscribed by the banks and trust companies, or by their officers for them. While they have been called upon less steadily for long-term loans and for loans representing a very large percentage (or the whole) of subscriptions to bonds, this lesser dependence of the public upon them has apparently been offset by their own heavier purchases, and by the fact that under the discount rates adopted at the opening of the loan there is a greater inducement than ever before for commercial banks to apply to reserve institutions for accommodation. In fact the rates adopted by reserve banks, instead of being, as in former loans, identical with the coupon rate on the bonds, have been from ½ of 1 per cent to ¾ of 1 per cent lower than the coupon rate on the Victory loan, with the result that there has been a distinct profit to banks in rediscounting. The purpose of this policy of course is clear and is that of inducing subscriptions by enabling the banks actually to make a profit through placing their paper with the reserve institutions.

At the outset of the fifth Victory loan, Secretary of the Treasury Glass had announced that it would be the last of the great popular loans, and that therefore the public need not at any time in the future expect to be called upon to come to the aid of the government in the same way as in these five great borrowing enterprises. Developments since the announcement referred to have shown that Treasury expenditures are likely to continue increasing, if anything, being at the present time on the basis of about $18,000,000,000 per annum. This, as is now recognized, of course means that if popular loans have really been terminated there

must be a resort to some new and tolerably expensive method of borrowing, since otherwise the government will be unable to meet expenses, its revenue at present being a great deal less than $5,000,000,000 per annum. The ending of the fifth Victory loan is therefore in no sense the close of the present era of public finance but only marks the transition to a new method of borrowing on a large scale. This method of borrowing, it now appears, is likely to be a regular "over-the-counter" sale of government securities somewhat after the "Thrift Stamp plan." Financing by means of certificates of indebtedness and by subsequent sales of Victory notes or bonds, probably on the over-the-counter plan, is expected, upon the basis of present outlook as to revenue and expenditure, to last fully eighteen months or two years. It is doubtful therefore whether much more than a beginning of the reduction of currency and banking inflation can be made during that time, although the reserve banks will probably be able to eliminate "war paper" from their portfolios within possibly a year from the present date.

BOOK REVIEWS AND NOTICES

Readings in Industrial Society: A Study in the Structure and Functioning of Modern Economic Organization. By LEON CARROLL MARSHALL. University of Chicago Press, 1918. Pp. xxiv +1082.

When the economist became discontented with *laissez faire* he put himself under the necessity of finding another theory of control. No longer willing to leave the administration of economic affairs to natural law, he began to inquire into economic organization to locate responsibility for the management. This led to a consideration of those obvious institutions which the systems of theory based on natural liberty had taken for granted—competition, contract, property, and the state of the industrial arts. These institutions, once regarded as a framework within which natural law had its way, turned out in reality to be active agents in the conduct of economic life, well established habits which with every shift of circumstance still controlled the general direction of economic development. The question therefore arose, How does this framework function? The answer, when given in full, will be a new theory of control.

The present study in the structure and functioning of modern economic organization is at bottom an inquiry into the character of this control. The economic order of any period is conceived as a scheme of administrative arrangements for handling those problems of livelihood with which the community is confronted. The coming of capitalism gave these problems their current formulation. The increased rôle of the market, the introduction of the machine technology, the growth of large-scale production and the urbanization of population, the modern administration of labor under the wages system, the concentration of ownership and income, the centralization of financial control, the impersonal character of economic relations, the guidance of economic activity under business principles (competition and property), and the conscious redirection of it by social agencies—these are the outstanding features of the modern industrial society. The readings are grouped into chapters corresponding roughly with this list of features, and as a preface to each chapter there is a statement of the problems at issue. The problems

are those of economic organization, the purpose is a statement of general principles; both by problem and purpose, therefore, the book is a contribution to economic theory. In fact the problems of organization which it considers were included in political economy long before the logic of market-value established an exclusive right to the title of economic theory. No amount of abstraction has yet been able to eliminate completely the problems of organization, though several heroic attempts have been made. Though these institutional facts are unavoidable, yet an acquaintance with them by the undergraduate cannot be taken for granted and it is the purpose of this book to serve as an introduction. It is a study in the business management of industrial society.

Whether a book of this kind will give satisfactory results when used in introductory courses depends largely upon the meaning given to the word "results." The book is not adapted to the purpose of indoctrinating the undergraduate in value theory; the readings were not selected as illustrations of the italicized conclusions of the standard text. It does not attempt to extricate the student from the labyrinth of economic fallacies by teaching him the logic of the market, on the assumption that other institutions remain equal. The market, it is true, comes in for a good share of attention, but the analysis has less to do with its internal price adjustments than with its functional relationships with other institutions; the emphasis is less upon the movement of prices toward an equilibrium and more upon the market as an organizing agency. The argument, consequently, is not so closely knit or syllogistic as the stricter value theory, but the loss in logical coherence is offset by the gain in significance of content. The likelihood of getting satisfactory results by the use of the book turns, therefore, on what is regarded as the proper object of an introductory course in economics. If the central problem of economic theory is the determination of market price, then this book of readings is not the text for a course in the elements. If, on the other hand, the determination of price is incidental to the general problem of control and the primary consideration is to make the student familiar with economic organization, then this book will make an excellent introduction to economics.

The adoption of the book as a text, in view of this departure from accustomed problems, will carry with it a considerable modification in the elementary course, and except in matters of detail this is not easy to accomplish. When a technique of teaching has once developed it is difficult to change the task and introduce new tools; especially is this so in the beginning course where large-scale operations have enforced

the standardization of methods. The professional economist in America spends so many of his working hours in the class room, his attention is so much occupied with teaching, that the selection of texts is a serious matter—so serious, indeed, that one eminent economist after another has rewritten the great body of accepted doctrine in order to give it the particular slant which he feels should be imparted to his own students. Yet, after all this care, whenever economists gather the discussion turns sooner or later to the disappointing results of the elementary course. No better illustration of the difficulty of modification could be pointed to than the limited range within which the experiments in teaching the course have been conducted and the persistence of the old methods and problems year after year in spite of their recognized inadequacy.

Sometimes the difficulty is that the discretion regarding methods rests with those who are not closely in touch with the actual instruction; sometimes it is the fear that a change of problem might cheapen the course, give it perhaps a merely practical appeal and by making it interesting destroy its "disciplinary value." But more often the difficulty has been the absence of any real alternative, one in which the teaching material would be adequate to carry out the plan. The change from one standard text to another has offered so small a margin of change as hardly to pay for the cost of the experiment. A choice among these standard texts, therefore, is both easier and less important than the decision between any one of them and the present book of readings. The classroom use of these readings will change the problem of the course from the determination of market value to the interpretation of economic organization. The adoption of it as a text is a venture which calls for courage and offers some hope.

The most important consequence of its adoption, however, is not the increased efficiency of teaching but its possible influence on the further development of economic theory. The acceptance of a new problem in the elementary course would in time affect the attitude of the economist and his general theory. The present situation is such that a change to the problem of control in co-operation with other influences already at work might bring about a revival of interest in economic theory. The experience during the war and the character of the after-the-war problems are bringing us back to ourselves and renewing our interest in those matters which affect the wealth of nations. These problems of reconstruction require a theory of control, and, as Professor Cooley has observed, it is the lack of an adequate doctrine of economic organization which today constitutes the central deficiency of political

economy. "Such a doctrine should, of course, embrace something corresponding to the theory of production, exchange, valuation, competition, and the like which we now study in the textbooks; but it should do much more than this: it should show these immediate processes as consistent and intelligible parts of economic process at large; it should enable us to understand their human significance and to act wisely with reference to them." It is the chief merit of the present book of readings that it centers the attention on this problem of organization and so makes it possible to consider in the classroom those questions which should be the main concern of the economic theorists of the present generation.

WALTER W. STEWART

AMHERST COLLEGE

National Governments and the World War. OGG AND BEARD. New York: Macmillan, 1919. Pp. 603. $2.50.

The first stage in the war for democracy has been fought and won, but the second, and perhaps more difficult, battle is still to be fought. Democracy, as a form of government, has triumphed over autocracy, but there is still much to do to make democracy workable and to prevent democracy, in the sense of the liberals, the democracy for which most of us have fought, from degenerating into a lawless form of rule by the majority, a rule where liberty is replaced by license. The great problem is in the education of the masses. Under democracy, as under no other form of government, an enlightened people is an absolute necessity. In a democracy we must have a people who take an interest in their government and who understand the problems of the day. This volume has been written to aid in the diffusion of the knowledge of governments. It deals with the governments of the United States, of the Allies, and of the Central Powers.

The thread which holds the different parts of the book together is the progress of government by the consent of the governed, the story of the struggle between the democratic and the autocratic ideal of government culminating in the Great War. The authors are interested in showing the close connection between the fundamental institutions of the United States and of Great Britain, and give an important place to British institutions as the basis of democratic government in the world. Not only are the bare outlines of government given, but some emphasis is placed upon the spirit of the governments. This helps more to an understanding of them than would a bare study of docu-

ments. It is interesting to see attention directed to the duties and responsibilities of citizenship, as well as to the rights of each individual to citizenship and his share in the government. Already the collectivism of the war is bearing fruits politically in a change of discussion from the rights to the duties of the individual. There is no longer so much need of protecting the individual from society as under the old autocratic forms of government, and we must, without giving up any of the safeguards surrounding the individual, protect society from the individual. The chapter on government in the United States in war time is a bit disappointing as a mere review of the administrative agencies that were set up to deal with the various problems, and there is no hint as to the changes that have taken place in the spirit of government under the influence of the war, of the great part that is being played by labor as a whole, and of the increasing importance of social factors other than the purely political.

In the chapter on the historical development of the American national, state, and local governments, Mr. Beard has again set forth his thesis of the overwhelming and almost exclusive influence of the economic factors in history. This viewpoint is interesting and suggestive, and supplies a valuable corrective to the too political character of study and writing in American history. But many of us cannot subscribe so fully to the theory of economic determinism, and find it impossible to agree with all of Mr. Beard's conclusions. For example, he says: "It was discontent with economic restrictions, not with their fundamental institutions, which nerved the Revolutionists to the great task of driving out King George's governors, councillors, judges, revenue officers, and soldiers" (p. 15). Study of the Revolutionary movements in New York, Pennsylvania, Virginia, North and South Carolina does not bear out such a statement. In these states the western settlers supported the movement and, to a great extent, fought the Revolution. They most certainly were dissatisfied with their fundamental political institutions and, for many years before 1775, had been opposing the eastern oligarchies, whom they associated with royal officials and royal oppression.

In Virginia these westerners, under the leadership of Patrick Henry, had defeated the eastern bureaucracy in 1764 and had wrested from them the control of the House of Burgesses. But the shrewd political leaders of the privileged classes and sections bent to the storm and recovered enough power to defeat Thomas Jefferson's liberal constitution in 1775. The partial victory of the frontiersmen conciliated them and made the

people more nearly unanimous in Virginia for the Revolutionary party, but the failure of similar liberal revolts in the Carolinas weakened the Revolution in those states. It is true that "the distribution of representation, the suffrage, the qualifications for office-holders, and the legislative, executive, and judicial institutions of old English origin were continued after the Revolution without many radical alterations" (p. 16), but it is also true that the demand for manhood suffrage, which was finally satisfied in all the states by about 1830, was strong in 1775 among the westerners from Massachusetts to Georgia. And they favored also a fairer distribution of representation, abolition of property qualifications for office, and other liberal reforms. Their energies and attention were absorbed by the Revolution and their program was delayed. Taken as a whole, the seven chapters on the government of the United States furnish a convenient summary but have a tendency to become a text-book catalogue of facts.

Mr. Ogg's chapters should help bring to the United States an understanding of the spirit of the British empire, and perhaps it may seem ungrateful to regret that he has not done more to forward the cause of Anglo-Saxon unity. To many the term "empire" has been a puzzle. It is connected in their minds with militarism and the use of force and has seemed a negation of much for which America has stood. Mr. Ogg shows how erroneous is the use of the term "empire": that the basis of the British commonwealth is a group of free nations, each under self-government, and that the empire has everywhere meant the reign of law without which civilization is impossible.

Americans are too apt to think that they have a monopoly of democracy, but much is being done to correct this provincialism, and Mr. Ogg has done a great deal, in the short space available, toward this very desirable end. Professor George Burton Adams in a recent lecture at Yale said that the British Empire offered at the present time the nearest approximation to democracy. Professor William E. Dodd in an article in the *International Journal of Ethics* for July, 1918, after defining his idea of democracy, said: "The American Declaration of Independence is its charter and perhaps the British government is today its best illustration." In the April, 1919, number of the *Yale Review*, Professor Dodd writes of "The Converging Democracies," and Professor McLaughlin's recent volume on Anglo-American relations emphasizes the same general idea of Anglo-Saxon unity.

Mr. Ogg's chapters on the governmental institutions of Great Britain are, as a whole, admirable; but a few passages in his section on

"Medieval Origins" are not worthy of the rest. He seems to overestimate the influence of the Saxon kingship and of the Witenagemot on the English constitution. Professor Haskins and Professor George Burton Adams have shown very clearly that the Norman central government thoroughly supplanted the Saxon. Nor does Mr. Ogg agree with Professor Adams in stating the influence of the Great Charter of 1215 on the English constitution. The paragraph on Magna Charta (pp. 167–68) emphasizes the detailed provisions of law set forth in the various clauses. Professor Adams says:

> It is, therefore, not in details of form and law that the permanent influence of the Great Charter is to be sought. These almost wholly disappeared, or where they became permanent features of Anglo-Saxon public law it is in a meaning greatly broadened by later experience. To repeat what has been already said, the controlling and molding power of the Charter in English history is to be found in two things: First of all in the principle upon which it rests, that there is a definite body of law by which the King's action is based, and, second, that, if he insists upon violating it, he may be compelled by force to desist.[1]

Neither in the chapters on the governments of the Allied nations nor in those on the government of the Teutonic nations does there seem to be any mention of the influence of Roman law and Roman political theory. The difference between German autocracy and the degrees of democracy attained by the various allied nations has a very important relation to the extent to which the different peoples accepted Roman ideas of law and government.

The chapter on Italy is perhaps the most inadequate in the book. Yet we need some understanding of the government of Italy and the spirit in which it is administered. There is no mention of anything that would explain why Italy has been the cause of some of the most difficult problems at the Peace Conference.

The chapters on the Central Powers deal chiefly with the growth of the power of the autocracy in Germany and the failure of liberalism to recover from the "political tragedy" of 1848. It is shown that autocracy was the price the German people paid for their economic and social advantages and that they were beginning to realize, in 1914, that the price was too great for what they were receiving.

Part IV, the last section of the book, treats of the war and political reconstruction. It is chiefly a series of quotations from President Wilson showing why the United States came into the war and that its aims were unselfish. Wilson is represented as the official spokesman of many

[1] *Origin of the English Constitution*, p. 250.

obscure currents of opinion on revolutionary concepts of national life, of government, and of international relations. The last chapter gives an interesting review of the past efforts to establish schemes of world-federation and of the peace movements. The British Empire is shown to be a living example of a League of Nations, "a great league of self-governing states after which a world-league might easily be patterned."

The title of the book is perhaps a bit misleading as there is really very little devoted to the effects of the war on government. The fact that the immense extension of governmental authority and functions presents the most difficult problem of the future is recognized, but very few suggestions are made as to the probable permanent effects of the war on national governments. What the volume does give us is a concise and clear statement of the governments of the chief European countries and of the United States up to the armistice, with some account of the development of these governments and particularly of the growth of the democratic ideal. There is a need for such statements as introductions to a more detailed study of governments. The reading references to the better recent books on the various countries should be most useful to those who may wish to pursue any particular phase in which they have found an interest.

CHASE GOING WOODHOUSE

SMITH COLLEGE

Italian Women in Industry: A Study of Conditions in New York City. By LOUISE C. ODENCRANTZ. New York: Russell Sage Foundation, 1919. 8vo, pp. v+345.

This investigation was completed in the period between September, 1911, and June, 1913, by the Russell Sage Foundation Committee on Women's Work,[1] of which Miss Mary Van Kleeck was director. It was undertaken because of the widespread charges that immigration from Southern Europe was a menace to American life and institutions, and especially because the influence of the Italian wage-earning woman, whether she worked in her home or in the factory, was thought to be a demoralizing factor in industry; it deals with Italians living in the lower end of Manhattan.

The material consists of: (1) Interviews with 1,095 women wage-earners; (2) a scrutiny of the living conditions of 544 families; (3) a record of the annual income and expenditure of 48 of the families;

[1] Later known as the Division on Industrial Studies. Miss Van Kleeck has recently been in charge of the Women's Branch, Industrial Service Section, Ordnance Department, Washington, D.C.

(4) records of the working conditions of 271 out of the 734 manufacturing establishments employing these women; (5) a study of the weekly budgets of 147 women not living at home.

The Italian population in New York in 1910 numbered, counting the foreign-born and the children of foreign-born, over half a million, and constituted a community more numerous than Naples, the largest of Italian cities. As with the other foreign-born groups, the Italians form segregated colonies, "Little Italies," following perhaps the customs and ways of their forefathers, at any rate customs and ways quite different from those followed in adjacent non-Italian communities. There are found Italian-speaking institutions, churches, banks, shops, theaters, and newspapers. Old-country standards and family relationships persist. Authority over mother and daughters, for example, lies with the father and older brother, who must also furnish protection, though not necessarily support.

The women studied were young women, two-thirds being under twenty-one years of age, and, since they lived in lower New York, over three-fourths on the lower West Side, they lived under housing conditions characteristic of lower New York City. The dark stairway, the dilapidated tenement, the toilet used in common by several families, and above all the crowding in the room (three or more persons to every room in one-tenth of the dwellings) constituted the physical background of their living.

The industries studied were those commonly dependent on women workers—the clothing trades, paper goods, flowers, feathers, fur, rubber and leather goods, millinery, tobacco, and food stuffs. These are the trades which in the past have been characterized by long hours, sweated home work, considerable seasonal changes, and low wages. And in this investigation establishments were found in which girls under sixteen as well as older workers were working after eight o'clock and young as well as older women working at night. Violations were found of all the laws supposedly regulating the work of young persons between fourteen and sixteen.

An interesting chapter is devoted to the subject of the expenditures of 48 family groups in which there were women wage-earners. Among the facts enumerated is the challenging statement that among 36 fathers who were with their families, 11 could speak no English and 23 had made no effort toward naturalization.

The common situation was for the mother and the daughters to contribute to the income; 35 out of 46 mothers[1] and 87 out of 92

[1] Page 169.

daughters in the families studied did contribute to the support of these family groups. Ninety per cent of all members in the family of working age contributed to the support of their group. The family income shows great fluctuations even when drawn from so many sources. The men's earnings are often interrupted by considerable periods of unemployment, but the earnings of the sons were both higher in rate and more regular than those of the fathers. They contribute less, however, to the family than the girls who handed over their pay envelopes unopened.

The mothers in 26 of the 48 homes did home work, and in 9 cases took in lodgers. As to the amounts of the family income, they varied from $457 to $3,716. The discussion of the different classes of expenditures is slight but suggests adequate expenditures for food, inadequate allowance for rent and heat and light, and calls attention particularly to the demoralizing influences and the great difficulty arising from the irregularity with which the income is received. It is surprising to note that a very small number of the families were insured.[1]

A chapter is devoted to a group of workers who did not live with their own families. And there is a chapter on "Education and Training." The chapter on readjustment, however, points out that as these Italian workers constitute only a small portion of the employees in the establishments in which they work, so far as working conditions, opportunity to learn English, and vocational training go, the principles applicable to the treatment of those girls would be applicable to the entire group of women workers. Housing conditions and prices would affect all. Interesting facts with reference to the family discipline indicate a resource in the loyalty and patience of these Italian girls when once a loyalty has been built up and a goal pointed out, from which may be developed a very rich contribution to the life of our American communities.

S. P. BRECKINRIDGE

UNIVERSITY OF CHICAGO

The Results of Municipal Electric Lighting in Massachusetts. By EDMOND EARLE LINCOLN. New York: Houghton Mifflin Co., 1918. Pp. xx+484.

This volume is a Hart, Schaffner & Marx prize essay. It was submitted in Class A during the year ending June, 1917, and was awarded first prize in that class. Like most previous Hart, Schaffner

[1] Page 206.

& Marx prize essays it is an excellent piece of work. From the very beginning the reader is impressed with the author's familiarity with and mastery of his subject. That impression deepens as one goes through chapter after chapter, follows the detailed analysis of the copious statistical data presented, and finally reaches the logical conclusions which the author draws. As a consequence one feels that all of the customary arguments which have been presented in support of public ownership certainly need to be revised in the light of the results set forth by this study. Unquestionably the volume is a valuable contribution to public-utility literature.

However, "the aim of this book is to suggest and exemplify those methods of approach and investigation which may most profitably be followed in future studies of the problems of municipal or state ownership rather than to make any startling contribution to an already overworked field." In following such methods of approach and investigation the writer is "wholly impartial," assumes "an attitude of mental neutrality," and does justice to both sides of the question. To begin with, he investigates the thirty-nine municipal electric-light plants in Massachusetts, of which eighteen are generating plants and twenty-one are purchasing plants, i.e., plants which purchase their current instead of generating it. With these public plants, thirty-three private plants similar in size are compared. Of these private plants, seventeen are generating and sixteen are purchasing plants. All of them are practically the worst managed in the state, which gives the benefit of the doubt in case of the results worked out to the public plants. The comparison, covering only a small portion of the whole public-utility field, is intensive rather than extensive, is made over a five-year period from 1910 to 1915 by a comprehensive analysis of the annual returns of the Massachusetts Board of Gas and Electric Light Commissioners, and takes into consideration not only the usual financial factors such as balance sheets, operating expense, income accounts, and rates, but also the historical, developmental, and technical factors. The problem is "viewed not merely from one or two angles, but from all angles." In addition, the conclusions drawn from this statistical comparison are checked up, tested, and verified by a local personal survey of both public and private plants. This makes the results all the more significant, because they are tested by practical as well as academic standards.

The first three chapters are essentially introductory. They begin with a survey and criticism of the literature on the subject of municipal electric lighting in the United States. The literature is

critically examined and generally condemned as superficial and unscientific. The entire examination abounds in trenchant sarcasm. Aside from this examination there is a reference to Massachusetts Laws concerning gas and electric companies, showing among other things how they foster both horizontal combination and integration of the companies. Finally, a general comparison is made of all municipal and private electrical concerns with regard to their history, numbers, finances, purchase of current, distribution by population groups, investment, and date of installation. The activities of the Massachusetts Board of Gas and Electric Light Commissioners are thoroughly approved and a warm tribute is paid to the members for their high-mindedness in enforcing "strict regulation for the highest good of all."

In the fourth chapter the physical statistics with reference to both groups of plants are presented and analyzed. In relation to the generating plants the factors considered are: station equipment, fuel consumption, output and disposal of current, customers, connected load, street lighting, lines, poles, and transformers. In relation to purchasing plants the factors considered are: output, sales, character of business, customers, connected load, poles, and length of lines. At the end of the chapter is a summary of the technical results. The chief importance of the chapter lies in the comparison of the physical equipment, development, and operation of the two groups of companies as a prerequisite to a correct interpretation of financial data. Too little attention perhaps has been directed to physical or technical features in discussing public ownership. Were they more definitely and minutely considered, they would give deeper and more vital issues involved than the mere examination of income and expense accounts.

In the fifth, sixth, seventh, and eighth chapters the financial statistics of the municipal and private companies are exhaustively compared. For the generating plants of both groups the comparison involves: the capital account as it is related to methods of accounting and financing, investment, policy of extension, and balance sheet; operating expense account as it is related to unit-manufacturing costs, fuel, wages, and costs of distribution; the operating income account as it is related to light, power, and rate schedules; the disposal of net income; and the cost of street lighting. Likewise the same points are taken up and briefly discussed with regard to the purchasing plants. At the close of each chapter there is an excellent summary. On the whole the comparative financial analyses presented, except from the point of view of detail, are not unlike those usually made in financial statistical investigations.

The ninth chapter takes up miscellaneous considerations such as labor, wages, valuation of estates, tax rates, and intangible items. The tenth, eleventh, twelfth, and thirteenth chapters contain the results of the local survey. These results were secured by schedules sent out to the companies and by personal visitation. The questions covered were: general environmental conditions, management, labor, central stations, distribution, consumption, financial and miscellaneous conditions. The same methods as before were followed in that the generating plants and purchasing plants were surveyed separately. Data obtained in this manner were interpreted in the light of the previous statistical analysis. Thus the local survey served as a check on the statistical study, and the statistical study served as a check on the local survey. By such means error was reduced to a minimum and the resulting conclusions were, as far as humanly possible, accurate and reliable.

In the fourteenth chapter there is a summary of the main facts and findings of the whole book. It might be well to state the substance of these facts and findings in a few brief sentences: The conditions under which the public plants operate are more favorable than those under which the private plants operate. The public generating plants, pragmatically tested, have lagged behind the private generating plants, financially, physically, and developmentally. While the public generating plants have not been a failure, they have by no means been a conspicuous success. The public purchasing plants have made unusually good showings as contrasted with the private purchasing companies. The outlook is not propitious. The tendency is toward purchasing plants in both groups which carry on only a distributing business. There is little reason for investing in public generating plants: only distributing plants are needed and even they are needed only when it is impossible to get private companies to render the service without charging prohibitive rates. However, cities should always be able to municipalize their electric lighting businesses, because the possibility of doing so exercises a restraint upon such businesses with regard to rates and services. As the municipal plants were the fixed quantity in the study, no conclusions are drawn concerning the success of private plants. "Only the simplest and the well-seasoned enterprises are at all suitable for public operation." In general, from the economic point of view, the success of all government-owned and -operated businesses must be judged by the well-known canons of private business enterprises.

WALTER J. MATHERLY

GEORGETOWN COLLEGE

The City Worker's World in America. By MARY KINGSBURY SIMKHOVITCH. New York: Macmillan, 1917. 8vo, pp. 235. ("American Social Progress Series") $1.25.

This little volume expresses the rich experience of fifteen years lived in the midst of one of the "city worker's worlds." During that period of time Greenwich House has stood for constant effort toward better understanding of the needs of the wage-earning groups and wider knowledge on the part of the well-to-do in the community. Close relations have been maintained by the author through the activities organized in that social settlement with her neighbors to whose needs swiftly developed activities have ministered. Close relations have also been maintained with the educational institutions—especially Columbia University, the New York School of Philanthropy, and the Training School for Community Workers.

The scope of the discussion is greatly restricted so far as the group under consideration is concerned by the self-imposed limitation to families enjoying an income of "from $1,500 down to the minimum of subsistence below which the family becomes a public charge."[1] According to the studies, for one of which Greenwich House was itself responsible,[2] this constitutes a very narrow economic range, as below $800 under-nourishment and indebtedness are common enough to be accepted as universal, and the author accepts $1,000 to $1,200 as the minimum on which an American standard of home life can be maintained. The group, while confined within narrow pecuniary limits, comprises, however, a very large number of families during the period of early married life when the children are too young to contribute to the family income.

The topics briefly and most sympathetically discussed are those included in any adequate view of group life, education, work, leisure, health, poverty, politics, religion. In connection with each of these "interests," to use roughly Professor Small's term, the reader finds a sympathetic discussion, stating generalizations based on long acquaintance with a crowded city neighborhood and familiarity with the literature in the particular field.

The task undertaken in preparing the volume was an extremely difficult one, and the difficulty shows itself more often than is pleasant in confused statement and even in negligent structure of sentence. The reader deplores a certain waste of rich experience and capacity for intimate human contacts that characterize the writer. It is to be hoped that a more intimate view of the life of Greenwich House and of the author may some time find a place beside Miss Jane Addams' description of *Twenty Years at Hull-House* and Miss Lillian Wald's invitation to the world to share the work going on in *The House in Henry Street.* In this volume of the "Social Progress Series," however, is to be found a kindly, intelligent, and interesting introduction to the series of problems confronting the student of industrial and urban conditions, especially as those problems affect the situation of the wage-earning group.

[1] See p. 4.

[2] More, *Wage-Earners' Budgets;* see also Chapman, *Standards of Living in New York City.*